

CEETEX

e dolla

Tunnel triumph

Late, over budget but a success

Page 14

Emilio Botín

Spain's new top banker

Page 12

Business Angel

Blue blood in eastern Europe

Page 10

The Wallenbergs

The empire strikes back

Page 17

FINANCIAL TIMES

Europe's Business Newspaper

TUESDAY MAY 3 1994

D8523A

Fininvest faces further scrutiny from magistrates

Investigations by Milan magistrates into the affairs of Silvio Berlusconi's Fininvest empire have resumed just as the media magnate begins the final stages of consultations to form a government. A civil liberties court approved a request for an arrest warrant to be issued against Marcello Dell'Utri, head of Fininvest's advertising arm Publitalia, and two other senior officials in the group on charges of falsifying accounts. Dell'Utri, a long-time associate of Berlusconi, was the principal figure behind the organisation of the businessman's Forza Italia political movement. His lawyers have challenged the court's decision. **Page 16**

Progress on Mideast peace: The comprehensive peace settlement ending the Middle East appeared to edge forward as a result of peace proposals brokered between Syria and Israel. **Page 16; Palestinians** to have right to set up stock market. **Page 5**

IBM shakes up PC side: International Business Machines is to change the senior management of its \$1.1bn personal computer business, with the retirement of Robert Corrigan, president of IBM PC. **Page 17**

Cambodian peace talks postponed: Peace talks between Khmer Rouge guerrillas and the Phnom Penh government have been postponed indefinitely amid some of the most serious fighting in Cambodia for five years. **Page 5**

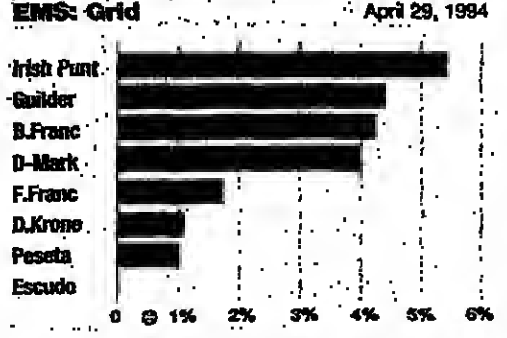
Lazard Bros reveals inner reserves: UK bank Lazard Brothers has been forced to tell one of the last great City of London secrets - precisely how much capital it has in its hidden reserves and how much profit it makes. **Page 17**

Indian inflation rises: Indian authorities face mounting pressure to curb inflation after the release of figures showing the annual rate of wholesale price increases at 10.6 per cent, compared with 6.9 per cent a year ago. **Page 3**

Worry over Asian securities markets: The World Bank has warned of the risk of financial accidents in Asian securities markets because the pace of investment and innovation in them may be too fast for their stage of development. **Page 17; Emerging markets, Page 24**

Miti angered at US trade report: Japan's Ministry of International Trade and Industry has responded angrily to a US report which criticised Japanese trade practices as ambiguous, lacking in objectivity and in many ways based on faulty or questionable analysis. **Page 4**

European Monetary System: There was no change last week in the order of currencies in the EMS grid. All countries made gains against the bottom currency, the Portuguese escudo, which finished on Friday at Esi03 against the D-Mark from Esi02.4 a week earlier. **Currencies, Page 35**



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Quality verdict in BCCI trial: Former property entrepreneur Nazimuddin Virani was convicted in London of seven counts of fraud relating to his business dealings with the collapsed Bank of Credit and Commerce International. **Page 8**

Heinz to abandon television: H.J. Heinz, the food manufacturer that brought the British public such memorable advertising campaigns as Bannan Meanz Heinz, is planning to create a new slogan - Heinz Meanz Direct Marketing. **Page 8**

SPD risks votes with tax plan: Germany's opposition Social Democrats committed themselves to a controversial tax reform package, in spite of evidence that it could be a clear vote loser. **Page 2**

Formula One safety inquiry: An emergency meeting to consider Formula One safety following the deaths of grand prix drivers Ayrton Senna and Roland Ratzenberger has been called by the world governing body of motor sport, the Fédération Internationale de l'Automobile. **Page 16**

STOCK MARKET INDICES			
Yokohama Nikkei	19,570.21	(-155.04)	
New York Composite	3,681.89	(+0.30)	
Dow Jones Ind. Ave.	3,681.89	(+0.30)	
S&P Composite	450.80	(-0.31)	
US RATES			
Federal Funds	5 1/4%		
3-mo Treasury Bill	5.391%		
Long Bond	7.34%		
Yield	7.34%		
Sterling			
New York Composite	1.91935		
D-Mark	1.936		
Yen	166.6		
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ANC information director predicts party will fail to win two thirds majority

De Klerk concedes defeat to ANC

By Patti Waldmeir, Michael Holman, and Mark Suzman in Johannesburg

President F.W. de Klerk last night conceded defeat to Mr Nelson Mandela in South Africa's first all-race elections, bringing to an end decades of white rule.

"Mr Mandela has walked a long road and now stands at the top of the hill. A man of destiny knows that beyond this hill lies another and another. The journey is never complete. As he contemplates the next hill, I hold out my hand to Mr Mandela in friendship and in co-operation," he said.

Mr de Klerk pledged his support for an African National Congress-led government of national unity, which is expected to be formed in the next few days.

His voice choked with emotion, Mr de Klerk ended his nationally televised declaration with the words "God bless South Africa, Nkosi Sikelele", African nationalism's hymn of liberation, now adopted as one of South Africa's two national anthems.

Addressing cheering National Party supporters he declared: "After so many centuries, all South Africans are now free."

As results trickled in, with less than half the estimated vote counted, the ANC was last night heading for control of the new parliament. But Mr P.W. Jordaan, ANC information director, predicted the party would fail to win the two-thirds majority needed to give it absolute power over the parliament and the writing of a new constitution.

Page 7
■ Mixed-race voters ensure Nats triumph in the Cape
■ Next chapter unclear after fairy-tale start
■ Mandela's cabinet choices will signpost way to future
Page 16
■ Lex

total results are being released without identifying the neighbourhoods from which they come.

South African residential areas and party support are so sharply divided by race that a disproportionately high number of results from one racial area early in the count would distort projections.

The ANC's projections, which come from party agents and not from the official Independent Electoral Commission, make allowances for neighbourhoods and are probably more accurate. The ANC predicts a 58 per cent majority in the national assembly, although Mr Jordaan said this could well rise to 60 per cent or even to 62 per cent as results from black areas flow in.

In the provincial elections, the ANC was the runaway leader in the Northern Transvaal, Eastern Transvaal, Northwest, Orange Free State and Eastern Cape. It is unclear whether it will win a majority in the Northern Cape, Natal and the Pretoria Witwatersrand and Vereeniging area.

However, in one of the few clear outcomes, the ANC conceded it had lost the Western Cape province - one of only two provinces where Africans are not in a majority - to the National Party.

With nearly three quarters of votes counted, the National Party had 55 per cent of the vote, with the ANC at 29 per cent, the Democratic Party 7 per cent and the Freedom Front 2.4 per cent. This will allow the National Party to control the provincial govern-

ment, with the ANC represented on the power-sharing provincial executive, as at national level.

Although the overall result is clear, many uncertainties remain, particularly in the disputed Natal province, where only a fraction of votes have been counted, apparently from areas where the Inkatha Freedom Party is strong. No accurate projections can be made from these early results. Reports from Natal suggest final results will not be available until later today.



SOUTH AFRICAN ELECTION RESULTS*
Electorate: 23m

Party	Votes	% of total
African National Congress (ANC)	5.24m	60.4%
National Party (NP)	2.18m	25.2%
Inkatha Freedom Party (IFP)	0.56m	6.5%
Freedom Front (FF)	0.26m	3.0%
Democratic Party (DP)	0.18m	2.1%
Pan Africanist Congress (PAC)	0.11m	1.3%

* Provisional results for the National Assembly based on 8.6m votes counted out of the estimated 23m total.



South African President F.W. de Klerk greets supporters in Pretoria, where he conceded defeat to the African National Congress

González cancels trip as corruption row grows

By David White in Madrid

Mr Felipe González, Spain's prime minister, yesterday cancelled an official trip he was due to start today to Romania and Bulgaria because of the growing political storm over corruption and illicit gains in the country.

Mr Antoni Asunción, the interior minister, submitted his resignation over the weekend, in a move which reflected acute embarrassment in the socialist government over the disappearance of Mr Luis Roldán, former head of the paramilitary Civil Guard, wanted for questioning by an examining magistrate.

Mr González, postponed accepting Mr Asunción's resignation, telling him to step up the search for Mr Roldán.

The Madrid daily newspaper El Mundo is expected today to publish an interview with Mr Roldán at a secret location, in which he threatens to make damaging revelations. Before he disappeared, Mr Roldán said he would reveal information that would harm the Socialists. The affair, along with allegations of tax evasion by Mr Mariano Rubio, former Bank of Spain governor, increasingly risks jeopardising the minority government.

Mr Jordi Pujol, leader of the Catalan nationalist party on which the Socialists depend for a parliamentary majority, raised the possibility of a snap election. The conservative opposition Popular party has issued fresh calls for Mr González to resign.

Mr Asunción, a former director of prisons, was appointed only five months ago. His predecessor, Mr José Luis Rodríguez Zapatero, resigned when a law including new search powers was ruled unconstitutional. The latter has also come under attack because of the Roldán affair.

Several hundred police and army personnel were engaged in the search for Mr Roldán, who faces arrest for alleged tax and other offences.

Roche in \$5.3bn agreed bid for Syntex

By Ian Rodger in Zurich and Richard Waters in New York

Roche of Switzerland is making a \$5.3bn agreed cash bid for Syntex, a struggling US drug company, to create a group ranking fourth in the world pharmaceutical sales league.

The deal would mark the first big takeover in the international pharmaceutical industry since the merger wave of the late 1980s that created Bristol-Myers Squibb and SmithKline Beecham.

The agreed bid, at \$24 a share, is cash-rich Roche's third big acquisition in the past four years. As well as catapulting the Basel-based group from tenth position in world sales, it would also lift it from fifteenth to sixth in the crucial US market.

The offer represents a premium of 59 per cent over Syntex's closing price on Friday of \$15. It values the company at about 14 times its forecast earnings of \$386m in the year to July 1994, broadly commensurate with other US drug companies.

The move by Roche, the world's most highly valued pharmaceutical group in terms of market capitalisation, reflects growing pressures on drug companies to introduce greater economies of scale and wider product ranges. That is to offset rising product development costs and the squeeze by governments on drug prices.

Syntex's market value had plunged by more than \$8bn since the beginning of 1992 as it faced the expiry of patents on its mar-

ket leading anti-inflammatory drug Naprosyn and the lack of new blockbuster products to replace it in the near term.

Last year, Syntex had net income of \$287m after \$300m in pre-tax restructuring charges and in the three months to January 31, it reported a 50 per cent decline in net earnings, to \$56.8m.

Falling sales have put pressure on cashflow at the US company, which has struggled to maintain a high dividend while supporting a research and development budget that last year ran at 19 per cent of sales - high by industry standards. As a Panama-regis-

tered company, it has benefited in the past from a low tax rate. Mr Paul Freiman, Syntex chairman, said: "Given the speed of changes in the industry and a radically different competitive situation, we ultimately felt the need to align with a strong global partner."

At their peak, annual sales of Naprosyn reached \$1bn. Mr Fritz Gerber, chairman of Roche, said Syntex's substantial ethical business and its leadership in drugs for treating pain and inflammation "would ideally complement the portfolio of Roche and add a further centre of excellence to the Roche group".

Both groups emphasised that Syntex would benefit from Roche's strong presence in markets outside the US.

Roche, which rose to world prominence in the late 1960s with its Valium and Librium tranquillisers, is still strong in central nervous system drugs as well as in anti-infectives and drugs for cancer treatment, dermatology and AIDS.

Against the global trend of declining profit growth in the industry, Roche last year boosted its net income 29 per cent to SFr2.48bn (\$1.72bn) on sales of SFr14.3bn, of which SFr7.8bn came from drugs.

Markets expect new dollar support in US and Tokyo

By Our Foreign and Economics Staff

Financial markets were braced last night for further intervention by the US Federal Reserve and the Bank of Japan to support the dollar as the US currency drifted weakly against the yen and the D-Mark.

The Bank of Japan was reported to have bought dollars for yen to boost the US currency, after Mr Tadamasa Hata, Japan's new prime minister, sought to calm markets by warning that the yen's recent rise against the dollar was "undesirable".

Finance ministry officials in Tokyo said the Bank of Japan was ready to intervene in world currency markets throughout this week to support the dollar.

The BOJ's move, after an emergency cabinet meeting in Tokyo over the weekend, followed the Fed's intervention on Friday to buy dollars for yen and D-Marks.

The dollar yesterday came under pressure against the German currency, as dealers appeared to be testing US resolve to stem the dollar's decline.

There were no signs of Fed intervention yesterday, and trading was muted, mainly because of the May Day holiday in London and the start of a holiday week in Tokyo. In Japan, markets will close from today until Friday.

However, the perception in markets was that the Fed's operations at the end of last week may have to be repeated to arrest the dollar's decline. The dollar has been weak recently against both the yen and the D-Mark because markets believe a lower dollar fits in with the US administration's plans to curb Japan's large trade surplus with North America.

The Japanese government is concerned that a further rise in the yen could choke Japan's fragile hopes of economic recovery.

After closing at ¥101.2 to the dollar on Friday night in Tokyo, the yen was quoted at the finish of trading in Japan yesterday at ¥101.8. The Japanese currency

Continued on Page 18
Bonds, Page 22
Currencies, Second Section

CONTENTS			
News	2-7	Features	15
International News	2-7	Leader Page	15
UK News	8	Letters	14
Lat	16	Observer	16
Weather	16	Management	10
Monday People Page	12	Business Travel	11
Week Ahead	20	Arts	13
Guide to the Week	40	Arts Guide	13
Economic Diary	40	Crossword	40
Companies	18,19	UK/Int	18,19
Markets	24-24	The Markets	24-24
Emerging Markets	24	World Bond Markets	22
World Stock Markets	22	World Commodity Markets	22
World Stock Markets	22	World Stock Markets	22
World Stock Markets	22	World Stock Markets	22
World Stock Markets	22	World Stock Markets	22

REPOLA
U.S. \$250,000,000
Term Loan Facility

Arrangers:
Enskilda Corporate
Skandinaviska Enskilda Banken

Co-Arrangers:
KANSALLS-OSAKE-PANKKI
Swiss Bank Corporation

Co-Manager:
The Mitsubishi Trust & Banking Corporation

Postponed Ltd
ABN AMRO Bank (Sverige)
Commerzbank Aktiengesellschaft
The Daiwa Bank, Limited
Hill Samuel Bank Limited
The Long-Term Credit Bank of Japan, Ltd
The Sakura Bank, Limited
Union Bank of Switzerland

Standard Chartered Bank
The Bank of Nova Scotia
Creditanstalt-Bankverein
Den Danske Bank
Landesbank Hessen-Thüringen Girozentrale
MeesPierson N.V.
The Tokai Bank, Limited
Verelins-und Westbank AG

The Yasuda Trust & Banking Co. Ltd

Co-Lead Managers:
BHF-BANK
Dresdner Bank Luxembourg S.A.

Managers:
Credit Lyonnais Sweden
The Development Bank of Singapore Limited
The Fuji Bank, Limited
Norddeutsche Landesbank Luxembourg S.A.
Deutsche Verkehrs-Bank AG
The First National Bank of Chicago
The Industrial Bank of Japan, Limited
Svenska Handelsbanken

Agent:
Enskilda Corporate

NEWS: INTERNATIONAL

MEPs fail in their attempt to block enlargement vote

By David Gardner
in Strasbourg

The European Union took a further step yesterday towards expanding its membership from 12 to 16 member states, when a series of filibusters to frustrate tomorrow's mandatory ratification vote in the European parliament was defeated.

Both the plenary of the Strasbourg assembly and its foreign affairs committee beat back attempts to get the biggest ever increase in the Euro-club postponed.

The parliament's struggle to win more power from the member states and the European Commission has held EU enlargement hostage for the past two months. Two weeks ago, leaders of the dominant Socialist and Christian Democrat blocs in Strasbourg agreed to put through the accession treaty, in exchange for pledges that parliament would be closely associated with the 1995 review of the Maastricht treaty and power-sharing in the EU.

But party managers in Strasbourg are still nervous about whether enough Euro-MPs will turn up to ratify the enlargement, intended to bring Sweden, Austria, Finland and Nor-

A delay in expanding the European Union to 16 members would hurt European business and could create another crisis of confidence in the EU, the industry group Unice warned yesterday. Reuter reports from Brussels. Referring to today's vote in the European parliament, the Union of Industrial and Employers' Confederations of Europe said the EU would benefit economically by admitting Austria, Finland, Norway and Sweden.

"A successful conclusion to enlargement will boost confidence in the European Union and strengthen the policies to achieve renewed competitiveness, sustained growth and increased job generation," it said in a statement.

The parliament's assent is necessary for the four countries to join the EU as planned on January 1. Officials have predicted a "yes" vote, but many MPs have been irked by an arrangement on voting procedures for a bigger Union - made to win over Britain to the expansion plans - which they say would undermine the powers of the parliament, the EU's only directly elected body.

Unice said it shared the parliament's wish for efficient, transparent and democratic institutions. "But the applicant states, with their strong traditions of openness and democracy, will only add strength, not weakness, to the pursuit of such reform," it said.

way into the Union next January. Failure by the parliament to ratify could easily sabotage the four applicant countries' difficult referendum on membership this autumn, and very possibly complicate ratification by national parliaments in the 12 existing member states.

A first attempt yesterday by the far-right to get enlargement taken off this week's agenda was easily defeated by

287 votes to eight, with four abstentions.

The surprising size of this quashing of the Euro-fascists is less relevant than the size of Euro-MPs' presence in Strasbourg, given that a third of MEPs rarely turn up at all, that next month's European elections are set to elect up to two-thirds of present members, and that many of those hoping to survive are on the campaign

trail. In tomorrow's vote, 260 of the 518 MEPs must approve enlargement. The Socialists, the largest bloc, reckon they can guarantee 130-140 votes, but there are worries about the Christian Democrats' pledge of 100 votes, while the small groups are less disciplined.

The two big blocs both sent their leaderships to lobby yesterday's foreign affairs committee, and to stall the infinite variety of procedural snags possible under European parliament rules.

Even Mr Jean Louis Bourlanges, the French Christian Democrat who has led the campaign to hold up enlargement, dismissed yesterday's skirmishes as "procedural trickery", arguing for a straightforward battle on Wednesday.

Then, there are likely to be two votes. A first motion, arguing to postpone enlargement, is likely to fail. In the second motion, approving the EU expansion, a number of Socialists unhappy that enlargement is not going hand in hand with more democracy and federalism, and who will have voted in favour of the first motion, are then expected to come down in favour of the substance of enlarging the Union.



PLO chairman Yasser Arafat, on a brief visit to Germany, was given a tour of the Daimler-Benz headquarters in Stuttgart yesterday by the company chairman Eberhard Reuter. See, Observer

Dutch poll set to break the political mould

By Ronald van de Krol
in Amsterdam

Voters in the Netherlands go to the polls today in national elections which could well force the governing Christian Democrats (CDA) into opposition for the first time since 1918.

The party appears to have made slight gains in the past few days, according to an opinion poll yesterday, but is still behind its Labour party partners. A Nipo poll for Dutch television gave the Christian Democrats 32 seats in the 150-seat Lower House and Labour 35.

Last week, opinion polls were giving the CDA 29 seats and Labour 35. At the last elections in 1988 the Christian Democrats won 54 seats and Labour 49.

The Labour party, led by Mr Wim Kok, the current finance minister, is likely to emerge as the largest party overall. This would put Mr Kok in the running to become prime minister once the tortuous negotiations on the next government coalition are completed.

Mr Elco Brinkman, hand-picked successor of Mr Ruud Lubbers, the CDA leader who is stepping down, can rally the party rank-and-file in the last few hours of the campaign.

Mr Ger Schild, director of the Nipo polling organisation, said yesterday that a larger number of people than ever before would be going into the

voting booth without knowing exactly how they will vote.

"A far larger proportion of people who voted CDA the last time around are at risk of being out of the picture than in previous elections," he said.

The crumbling of support for the current coalition will benefit the right-wing Liberals, forecast to pick up seven more seats for a total of 29, and the left-of-centre D66, up 15 seats at 27.

If these predictions hold true, Labour, the Liberals and D66 could rule without the help of the CDA. The CDA and its forerunner parties have belonged to every government coalition since full universal suffrage was introduced in 1918.

Mr Brinkman was scheduled to go to a final election rally last night in Lisse, the centre of the country's flower bulb-growing region and a traditional Christian Democrat stronghold.

Mr Kok was to appear at a meeting with voters at the nearby university town of Leiden.

Both men, plus the leaders of the other main parties, were due to appear in a final debate last night on Dutch television.

Although results of the election should be available by late tonight, it could be weeks or even months before the parties cobble together a new coalition.

Gaullist split widens over unemployment

By David Buchan in Paris

France's persistent unemployment is driving an ever-deeper wedge between the ranks of the country's governing Gaullists. Mr Jacques Chirac, the party leader, yesterday endorsed the idea of a referendum on the issue to underline his difference with the gradualist jobs policy of his fellow-Gaullist prime minister, Mr Edouard Balladur.

The unity of the Socialist left, however, being equally threatened by the creation of a strong rival list in next month's European parliament elections by Mr Bernard Tapie, said evidence that the populist Marseille politician is being edged on by President Francois Mitterrand.

Despite facing multiple investigations for alleged financial irregularities and football bribery, Mr Tapie has now attracted heavyweight candidates to his Mouvement des Radicaux de Gauche (MRG) list. They include Mrs Catherine Lalumière, former secretary general of the Council of Europe and an associate of Mr Mitterrand.

"With such a team, one would need to be an incredibly bad captain not to go far in this European [parliament] championship," said Mr Tapie. He has just been disqualified for life from involvement in football after the French soccer authorities decided - ahead of an investigating judge - that Mr Tapie's Olympique-Mar-

seille had rigged a game last year.

Mr Tapie claimed over the weekend that his only goal was to outscore the far-right National Front in the European polls, both are around 9-10 per cent in the opinion polls. But if competition from Mr Tapie also ensures a poor showing for Mr Michel Rocard, the Socialist party leader may see his candidacy in next year's presidential elections fatally undermined.

The jobs referendum idea came at a weekend RPR Gaullist rally ironically from Mr Philippe Seguin, whose presidency of the national assembly ought to incline him towards representative democracy rather than rule-by-plebiscite. But Mr Seguin has emerged as the sharpest thorn in the side of Mr Balladur, whose government the assembly leader dismissed as merely "one of transition" until the right wins the Elysée next May.

Mr Seguin gave no idea of how the unemployment issue might be made susceptible to a yes/no referendum verdict, but his call for "a complete reversal" of jobs policy won endorsement from Mr Chirac, who spoke to RPR faithful chanting "Chirac president". Mr Balladur had earlier tried to persuade the party rally there was no contradiction between his economic and labour policies, and that the best hope for reducing France's debt queues was the gradual economic recovery now under way.

SPD risks votes with tax plan

By Quentin Peel in Bonn

Germany's opposition Social Democrats yesterday committed themselves to a controversial tax reform package as the cornerstone of their election platform, in spite of evidence that it could be a clear vote loser.

Mr Rudolf Scharping, SPD leader and candidate for the post of federal chancellor, faced down sharp criticism of his leadership style to force the party programme through his national executive committee with only one abstention.

The package includes a large tax reform to make energy more expensive, but stops short of calling for a national motorway speed limit, appar-

ently for fear of losing votes from the car-crazy nation. Instead, the SPD will campaign for a Europe-wide speed limit, although Germany is the only EU member state without one. Mr Scharping said the programme still included a plan to switch the government's 7.5 per cent "solidarity surcharge" on income tax, needed to pay for the soaring costs of German unification, to a 10 per cent surcharge payable only by higher earners.

When it was unveiled in March, it caused an immediate outcry amongst the broad mass of middle-income earners, and a slump in SPD popularity in the opinion polls.

According to Mr Friedrich Bohl, Chancellor Helmut

Kohl's closest ministerial aide, the surcharge will last for at least five years, and possible longer, in order to pay the annual cost of transfers to east Germany running at between DM140bn (\$56bn) and DM150bn (\$59bn).

However the SPD plan, although on the face of it a considerable relief to the majority of taxpayers, is in danger of targeting precisely those more prosperous floating voters it needs to win next October's election.

The programme also includes an "ecological tax reform" which would switch the burden of taxation from labour-related costs to energy and raw materials, intended simultaneously to promote

employment and discourage energy consumption.

The SPD leader said that there would be no increase in the overall tax burden from the level to be reached next year, describing it as "a programme based on solid finances... and social justice".

There would be a "step-by-step reduction" in taxes and deductions hitting payroll costs, alongside a step-by-step introduction of the new energy taxes.

The third main economic plank of the party programme is a commitment to promotion of more research and investment in new technologies, including a programme of public investment in development of solar energy.

The Capital of the World.

FT International Corporate Finance Survey

The Financial Times International Corporate Finance Survey will be published with the FT on Thursday, May 5.

It will provide important insights into the flow of capital across borders in an era of rapidly increasing global competition.

Among the topics it will examine are the revival of mergers and acquisitions activity, the opportunities offered by privatisations and industrial restructuring and the inflow of capital into the emerging markets.

So if you have an interest in world-wide investment, be sure to acquire a copy of the FT on Thursday, May 5.

FT. Because business is never black and white.

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

UNITED STATES						JAPAN						GERMANY					
	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate	Composite leading indicator		Retail sales volume	Industrial production	Unemployment rate	Vacancy rate	Composite leading indicator		Retail sales volume	Industrial production	Unemployment rate	Vacancy rate	Composite leading indicator
1985	100.0	100.0	7.1	100.0	102.1	1985	100.0	100.0	2.6	100.0	97.3	1985	100.0	100.0	7.1	100.0	105.1
1986	105.5	100.9	6.9	99.0	103.5	1986	105.5	99.7	2.8	94.3	105.1	1986	105.5	102.2	6.4	136.4	105.0
1987	108.4	100.1	6.1	105.5	105.4	1987	107.4	103.1	2.6	108.3	113.2	1987	107.4	102.6	6.2	149.4	106.1
1988	112.6	110.7	5.4	106.1	112.5	1988	122.9	113.1	2.5	136.9	122.2	1988	110.5	108.3	6.2	164.1	112.2
1989	115.6	112.4	5.2	99.3	110.8	1989	125.5	119.7	2.2	147.0	125.2	1989	114.1	111.4	5.8	218.7	115.1
1990	118.6	112.4	5.4	94.8	108.9	1990	141.6	125.5	2.1	148.5	122.5	1990	123.5	117.2	4.8	291.1	115.7
1991	114.2	110.3	6.6	92.2	112.2	1991	144.6	128.8	2.1	144.2	120.9	1991	130.5	120.9	4.2	270.7	115.0
1992	117.8	112.9	7.3	90.3	116.9	1992	138.9	119.0	2.1	124.2	118.7	1992	127.7	110.8	4.8	262.2	108.9
1993	124.0	117.9	6.7	85.4	122.8	1993	132.0	113.8	2.5	108.8	122.8	1993	122.4	106.8	5.9	196.8	111.8
1st qtr.1993	3.7	4.4	6.9	82.4	117.9		-5.9	-5.1	2.3	115.5	123.1		-4.7	-9.8	5.3	213.4	108.8
2nd qtr.1993	5.3	3.9	6.9	83.7	117.2		-4.0	-1.9	2.4	104.2	124.5		-3.8	-8.3	5.9	208.5	109.0
3rd qtr.1993	5.9	4.2	6.7	80.0	116.5		-4.1	-3.9	2.5	101.3	125.9		-2.1	-8.4	5.9	180.6	111.8
4th qtr.1993	6.3	4.3	6.4	83.4	122.8		-5.7	-4.9	2.7	101.0	126.2		-5.8	-3.1	6.3	175.5	112.6
April 1993	4.7	3.9	6.9	82.8	117.0		-5.3	-4.1	2.3	108.1	124.4		-2.2	-9.2	5.5	211.5	107.2
May	5.2	3.0	6.9	85.1	117.2		-4.8	-2.2	2.5	106.8	124.9		-6.8	-8.3	5.6	207.9	107.9
June	6.0	4.0	6.8	85.1	117.2		-4.8	-2.2	2.5	106.8	124.9		-3.5	-7.5	5.7	205.2	109.0
July	6.1	3.8	6.7	85.8	117.9		-5.8	-4.5	2.5	102.8	124.9		-3.7	-8.0	5.8	202.7	109.0
August	6.0	4.3	6.7	86.7	118.5		-4.1	-2.6	2.5	102.9	125.2		-0.7	-5.9	5.9	194.5	111.2
September	5.8	4.4	6.9	85.5	118.5		-5.5	-4.4	2.9	100.9	125.9		-1.9	-6.7	6.1	183.7	111.5
October	5.8	4.1	6.6	88.5	120.5		-5.2	-2.6	2.7	99.0	126.1		-5.0	-4.0	6.2	174.7	112.6
November	6.4	4.2	6.4	88.9	122.0		-7.3	-3.2	2.7	112.3	126.9		-4.9	-4.0	6.3	174.7	113.0
December	6.7	4.6	6.3	70.7	122.8		-4.6	-4.5	2.8	99.9	126.2		-8.5	-1.0	6.3	175.5	113.6
January 1994	9.1	4.6	6.6	66.7	122.7		-3.0	-2.7	2.7	97.4	127.9		0.1	-1.7	9.4	178.0	114.2
February	0.5	12.2					-4.5	2.7	97.4	127.9		0.2	0.9	9.5	197.9	114.2	
March	5.1	8.5	74.9				-3.2										
FRANCE						ITALY						UNITED KINGDOM					
	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate	Composite leading indicator		Retail sales volume	Industrial production	Unemployment rate	Vacancy rate	Composite leading indicator		Retail sales volume	Industrial production	Unemployment rate	Vacancy rate	Composite leading indicator
1985	100.0	100.0	10.3	100.0	102.0	1985	100.0	100.0	9.8	100.6		1985	100.0	100.0	11.2	100.0	102.4
1986	102.4	101.1	10.4	107.2	109.2	1986	106.8	104.1	10.4	110.7		1986	109.2	102.4	11.2	116.1	105.9
1987	104.5	103.1	10.5	117.7	108.9	1987	112.1	108.9	10.9	112.8		1987	110.7	106.5	10.3	141.2	110.5
1988	107.9	107.3	10.0	104.7	116.7	1988	107.9	114.2	10.9	118.8		1988	120.1	114.0	8.8	144.8	106.7
1989	108.5	111.3	9.4	101.1	113.5	1989	116.9	116.7	10.9	118.8		1989	121.1	113.7	7.2	124.7	106.4
1990	110.3	112.8	8.9	103.0	108.9	1990	114.4	118.0	10.3	111.8		1990	119.8	108.2	8.8	98.1	104.2
1991	110.3	113.2	9.4	107.7	108.6	1991	111.0	115.5	9.5	114.7		1991	120.5	108.7	10.0	70.1	113.5
1992	110.5	112.3	10.4	111.4	107.9	1992	115.9	113.6	9.9	111.1		1992	124.8	111.5	10.3	77.2	122.0
1993	110.7	106.8	11.7	89.8	110.8	1993	110.9	102.2	121.3			1993	124.8	111.5	10.3	77.2	122.0
1st qtr. 1993	0.2	-3.3	11.0	96.6	108.2		1.9	-4.3	9.1	113.3			3.1	1.9	10.5	73.7	118.5
2nd qtr. 1993	0.7	-3.8	11.5	91.8	107.5		-2.7	-4.0	10.7	114.9			3.0	2.7	10.3	74.9	118.9
3rd qtr. 1993	0.4	-2.9	11.9	95.0	106.4		-1.4	-1.2	10.3	119.4			3.9	2.6	10.4	77.4	120.3
4th qtr. 1993	-0.5	-1.8	12.2	85.4	110.8		-0.1	-0.1	10.7	121.3			3.7	3.1	10.0	84.0	122.0
April 1993	0.9	-4.9	11.4	95.0	106.9		1.5	-8.9	n.a.	113.5			2.7	1.0	10.3	75.0	116.6
May	-3.8	-3.3	11.5	89.1	107.8		-8.0	-4.9	n.a.	114.0			2.4	0.4	10.3	75.2	116.7
June	5.0	-3.4	11.6	91.0	107.5		-6.0	-3.9	n.a.	114.9			3.9	0.7	9.8	74.3	116.9
July	1.2	-2.6	11.7	93.9	107.1		-8.4	-3.3	n.a.	115.6			4.4	3.5	10.3	74.3	116.9
August	-1.1	-3.0	11.8	97.4	107.4		-8.1	-2.4	n.a.	117.0			4.4	3.5	10.3	74.3	116.9
September	2.1	-3.0	12.0	80.9	108.4		-0.1	-0.7	n.a.	118.9			4.9	2.5	10.4	77.9	119.1
October	-2.7	-4.5	12.1	63.3	106.2		-2.3	-1.3	n.a.	119.4			3.2	2.0	10.3	76.6	120.3
November	-2.0	-5.1	12.2	67.2	110.2		-1.7	-0.9	n.a.	121.3			3.2	3.6	10.0	74.6	121.0
December	-0.8	0.0	12.2	87.0	110.9		-1.3	-0.9	n.a.	121.3			3.9	3.7	9.9	84.8	122.0
January 1994	0.5	-0.2	12.2				-0.9	n.a.	n.a.	121.6			2.8	3.9	9.9	84.8	122.0
February	1.9		12.2					n.a.	n.a.				3.9	3.5	9.9	85.0	122.0
March																	

WORLD NEWS DIGEST

Bouygues wins Hungary deal

A consortium led by Bouygues, the French construction group, has won eastern Europe's largest toll motorway concession. The Hungarian government, which has been advised by Morgan Grenfell, the UK merchant bank, yesterday awarded Bouygues the \$500m project to finance, upgrade, extend and operate Hungary's M5 motorway. The Hungarian Motorway International Consortium, which teams Bouygues and German bank Commerzbank, defeated a group led by Transroute International and GTM International, two French toll-road operators. Bau Holding, the Austrian construction company and another partner in the winning consortium, said earlier that the consortium would have to raise Ft7bn (\$45.7m) in equity capital of which Bau would provide about 40 per cent.

Pepsi to expand in Poland

Pepsi-Cola moved yesterday to win back ground in Poland recently lost to Coca-Cola by signing a joint venture with Whitman, Pepsi's Chicago-based bottler in the US. Under the agreement, PepsiCo will bring Whitman into its bottling plant in Pleszew near Warsaw to build a distribution and marketing network in the west and the north of the country. This is the first time that PepsiCo will have brought one of its bottlers into central and eastern Europe, and Whitman, which will be investing \$100m (\$88.4m) in the joint venture over the next eight years, plans to build a further three plants in Poland.

Rwanda envoy due in Uganda



Mr Jacques-Roger Booh-Booh, United Nations special envoy to Rwanda, was yesterday scheduled to meet President Yoweri Museveni of Uganda as part of international efforts to persuade Rwanda's warring parties to end nearly a month of civil strife. Tanzania's President Ali Hassan Mwinyi yesterday said the government and rebel Rwanda Patriotic Front (RPF) had agreed to peace talks in the northern town of Arusha tomorrow. Refugees from the Rwanda fighting have been flooding across the border into Tanzania in their thousands (see picture above). The Tutsi-dominated RPF contends the Hutu interim government was established illegally days after the death of Hutu president Juvénal Habyarimana in a rocket attack on his aircraft on April 6. *Reuters, Nairobi*

French radiotelephone bidding

The licence to operate France's first truly urban radiotelephone network will be awarded by the end of this summer to one of three French bidders, Alcatel, Bouygues and Lyonnaise des Eaux, the French telecommunications ministry announced yesterday. In addition to local partners, Alcatel has teamed up with Stet of Italy and Telefonica of Spain, Bouygues with Veb of Germany and US West, and Lyonnaise with Thyssen of Germany, Belgacom of Belgium and Bell South of the US, to bid for France's third radiotelephone network. France Telecom and Générale des Eaux already operate two Global System for Mobile Telephones networks in France. But they generally require users to be outdoors or near a window. The ministry said yesterday the third network was designed more for urban office use, requiring an investment of FF10bn-FF15bn. France has around 150,000 radiotelephone users, but hopes to have 3m by the end of the century. *David Buchan, Paris*

EU uses more unleaded petrol

Use of unleaded petrol in the European Union has accelerated past leaded fuel for the first time, the EU's statistics office, Eurostat, said yesterday. Unleaded petrol accounted for 53.3 per cent of all petrol used in the Union last year, up from 47.1 per cent in 1992 and 40.7 per cent in 1991. Eight years ago, unleaded petrol accounted for less than 1 per cent of the total, Eurostat said.

ECONOMIC DIGEST

GDP soars in South Korea

South Korean gross domestic product is forecast to grow by at least 8.5 per cent in the first quarter of 1994 compared to 3.9 per cent a year earlier, according to Mr Kim Myung-ho, governor of the central bank. GNP grew by 5.6 per cent during the whole of 1993. The country's industrial output shot up 10.2 per cent in the first quarter from 1 per cent in the same period last year, the national statistical office reported. The state-funded Korea Development Institute recently revised its projection for gross national product to a real 7.8 per cent growth in 1994 from an earlier forecast of 7 per cent. "With exports steadily increasing and the recovery in fixed capital investment accelerating, GNP is expected to grow more quickly than earlier forecast," it said. An even more optimistic view comes from Schroders Securities which revised its GNP projection for the year to 8.2 per cent from an earlier 6.5 per cent.

Japan's domestic vehicle sales are on a recovery path despite the year-on-year slippage in April for the 13th month in a row, industry officials said yesterday. April's 6.6 per cent fall to 372,755 vehicles should not be seen as a sharp drop, said an official of the Japan Automobile Dealers' Association. One reason for the April fall, ironically, was a tax cut. Customers bought cars in March as dealers offered discounts to offset the effect of an April cut in the consumption tax.

Portugal's overall trade deficit fell 11.3 per cent last year to Esc1,430.8bn (\$5.55bn), with imports falling 4.6 per cent to 3,900.6 billion, according to official figures.

Employment fell in large Italian companies by 0.4 per cent in January compared with December and was 5.1 per cent lower year-on-year, the Istat statistics bureau reported. The statistic covers companies with more than 500 employees but excludes the construction sector.

Sweden's new car registrations rose by 44 per cent in April to a preliminary 15,750 from 10,919 in April, 1993, according to the Swedish car retailers' association. The figure for the first four months of the year showed a 27 per cent rise, to 32,938 from 41,612 in January-April 1993.

Karadzic anger at new UN safe area

By Laura Silber in Belgrade and David Buchan in Paris

Mr Radovan Karadzic, the Bosnian Serb leader, yesterday vowed that he would block any moves to designate as a United Nations "safe area" the town of Brcko, on the eastern end of the Serb corridor in Bosnia.

The "corridor is of vital interest to the Serbian nation," he said, ruling out any possible change in the status of Brcko, which has "always been in Serb hands".

Earlier, Mr Alain Juppé, the French foreign minister, had called on the United Nations to make the Brcko

corridor "a security zone" with the same status as Sarajevo or Gorazde, so that Nato aircraft could intervene "at the first cannon shot... by one side or the other".

Speaking to the Anglo-American Press Association in Paris, Mr Juppé described the Brcko corridor as "very sensitive" to both Moslems, who wanted it for access to the Sava river and thence to the Danube, and to Serbs, who wanted it to link their territories in east and west Bosnia.

UN officials fear that the town, which is set on the land corridor joining Belgrade with Serb-held towns in Bosnia and Croatia, will be the next

flashpoint and are considering how a conflict can be avoided in the area.

In Gorazde, the Moslem enclave in south-east Bosnia, UN reports cite heightened tensions including an incident on Saturday in which British soldiers returned fire, killing two Serbs.

In a similar incident near Tuzla, another UN "safe area", nine Serbs were killed after firing four anti-tank missiles on soldiers from the Nordic battalion who used their powerful Leopard tanks in the exchange, said UN officials.

There were further reports yesterday that Serb forces are concentrating

their heavy weapons in the strategic north-eastern region.

Mr Haris Silajdzic, the Bosnian prime minister, who today is due to meet Mr Yasushi Akashi, senior UN official for former Yugoslavia, in Sarajevo to discuss prospects for resuming peace talks, yesterday warned that the Bosnian government would not rejoin negotiations until Serb forces fully complied with a Nato ultimatum to withdraw from a 20 km exclusion zone around Gorazde.

UN officials at the weekend said Serb soldiers have shed their army fatigues only to return in blue uniforms in the guise of policemen pro-

tecting Serb settlers. The immediate resettlement of Serbs is part of a Serb plan to partition Gorazde.

Mr Karadzic yesterday warned that the US is poised on a "new Vietnam in Bosnia" and accused the UN too of siding with the Moslems.

In Sarajevo, Nato aircraft were called in to buzz a weapons depot ending a four-hour standoff between Serb forces trying to take back their heavy weapons from UN soldiers.

Major Guy Vinet, a UN spokesman, said up to 15 Bosnian Serb soldiers on Sunday night moved in on the storage point, holding about 30 weapons under guard by 20-25 French soldiers.

White House pushes gun control Probe of attacks on US policy

By George Graham in Washington

The Clinton administration has begun an all-out drive to win support for a ban on assault weapons and large-magazine guns, but still faces possible defeat when the measure comes to a vote in the House of Representatives later this week.

White House officials acknowledge they are still around 15 votes short in the House, despite the support of Congressman Henry Hyde of Illinois, a senior Republican who has in the past opposed

similar bans but who voted for the measure in committee last week. The proposed law closely resembles a measure introduced

"Why have laws that protect ducks more than human beings?"

last year by the Senate in a much broader crime bill, and would outlaw 19 specific weapons, as well as high capacity magazines.

It would also impose a more

general ban on semi-automatic weapons which have additional features such as flash suppressors, but would specifically exempt over 600 types of gun considered to have a legitimate sporting purpose.

But Congressman Jack Brooks, a Texas Democrat who is chairman of the House judiciary committee, opposes the ban and kept it out of the House's broad crime bill, hoping that if it is defeated on its own on the floor of the House he will have more leverage to resist it as the House and Senate try to reconcile their versions of the crime bill.

Senior administration officials have tried to tackle the National Rifle Association, the potent gun lobbying group which opposes the measure, by mobilising police officers and hunters to argue for it.

Mr Lloyd Benisen, the treasury secretary, pointed out that the bill seeks to restrict magazines that hold as many as 90 rounds, while federal law restricts hunting for migratory birds to guns with no more than three shells.

"Now, why should we have laws that protect ducks more than human beings?" Mr Benisen asked.

By Michael Littlejohns, UN Correspondent, in New York

Mr Boutros Boutros Ghali, the UN secretary-general, has ordered an inquiry into public criticisms of US policy towards former Yugoslavia by senior UN officials in Bosnia that were the subject of a sharp protest by the Clinton administration.

Mr Boutros Ghali told Mr Yasushi Akashi, the top UN mediator, that his suggestion the US had become "afraid,

timid and tentative" since the Somalia debacle, was "completely unacceptable".

In an exchange of letters made public last night, Mr Boutros Ghali informed Mrs. Madeleine Albright, the US delegate to the UN, that he shared her "profound concern" over the affair.

Mr Akashi had been told to "take every measure to ensure that there are no recurrences" on his part or that of other UN officials.

Indian inflation at highest level for two years

By Stefan Wagstyl in New Delhi

Pressure is mounting on the Indian authorities to act to curb inflation after the publication of figures at the weekend showing the annual rate of price increases rising to 10.6 per cent, the highest in nearly two years.

The figures, measuring the rate of increase in wholesale prices for the week ending April 9, show inflation has climbed steadily from just 6.9 per cent 12 months ago.

With foreign exchange reserves at record levels, finance ministry officials see little risk of a repeat of the 1991 economic crisis when inflation, government borrowing and the balance of payments veered out of control. But they admit that rising prices could undermine efforts to achieve stable growth and to carry out further economic liberalisation.

Mr Manmohan Singh, the finance minister, and Dr C Rangarajan, the governor of the Reserve Bank of India, the central bank, have both emphasised in recent speeches the dangers posed by inflation.

The government last month acted to try to protect the poor from possible further increases in food prices by lifting restrictions on sugar imports. However, it is not clear how much these measures will limit the overall inflation rate rise, which is being driven not by changes in food prices but by financial pressures - notably persistent government deficits and a surge in foreign investment.

The fiscal deficit in the year to March soared to 7.3 per cent of gross domestic product, compared with a target of 4.6 per cent, according to finance ministry figures, which may yet be revised upwards.

Meanwhile, foreign investment has soared to about \$5bn (\$3.4bn) in 1993-94, far exceeding government forecasts and flooding the financial markets with excess cash. The central bank estimates the money supply grew by 17.9 per cent in the year, up from 14.6 per cent in 1992-93.

Commenting on India in its recent report, The World Economic Outlook, the International Monetary Fund listed as "troubling features" the rekindling of inflation and the weakening of fiscal management.

The Reserve Bank is expected to try to curb further money supply growth when it decides its credit policy for the period April-September at a much-delayed board meeting due on May 14. It might balk at raising interest rates since industrial growth is sluggish, but it could raise the minimum deposits commercial banks are required to make at the Reserve Bank.

India's exports in the year to March grew 20.4 per cent to \$22.17bn, according to figures announced yesterday by the commerce ministry. They provided fresh evidence that the government's liberalisation of foreign trade and investment is bearing fruit. Imports grew 6.5 per cent to \$23.1bn, leaving a trade deficit of \$1.0bn, compared to \$3.3bn in 1992-93.

Cardin sets up shop in three cities

Pierre Cardin, the French fashion designer and head of a diversified retail marketing group, yesterday launched a chain of shops in India, writes Stefan Wagstyl in New Delhi.

Mr Cardin is following Benetton of Italy, France's Lacoste and other fashion companies which have entered the Indian market in the past year, following the liberalisation of foreign trade and investment.

The French designer will take a 26 per cent stake in a joint venture with Indian partners.

The initial investment is Rs16.5m (\$354,000) which will pay for a design studio, workshops and three shops in Delhi, Bombay and Calcutta. If the venture goes well, the partners plan to open more stores and raise their investment to Rs250m.

Mr Cardin also sees India as a potential supply source for his joint venture and franchise outlets in other countries.

Speaking at a news conference, he said: "I am sure India will be another Part of Asia since its textiles and jewellery are so good."

Mr Cardin's executives said India would be a particularly good source for cotton and silk clothing.

The first exports would go in small quantities to Russia, but retailers in all the 120 countries in which Pierre Cardin goods are marketed would also be free to come and place orders.

Mr Cardin, who is 72 years old and opened his fashion house in 1950, said he had no plans to retire. After India he was intending to visit two other countries still waiting for their first Pierre Cardin investments - Vietnam and Cuba.

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NEWS: INTERNATIONAL

Capital inflow pushes yen ever higher

William Dawkins focuses on the reasons behind the recent rise in Japan's currency

The mechanics of the yen's recent jump against the dollar are not as contrary as they look; a heavy net flow of capital into Japan is the main technical factor at work; cash-starved Japanese financial institutions need to raise yen and foreign investors are just as eager to supply yen to buy the bonds, shares, golf courses and office buildings the Japanese are busily unloading.

Japanese and US Federal Reserve intervention to support the dollar and drive down the yen is probably due to fears that the dollar-yen at this level will harm both their economies, throttling Japan's weak signs of recovery and fueling US inflation.

To many others, the yen's rise is plainly illogical. Why should a country with a weak economy and powerless government have a stronger currency than one with a recovering economy?

But such considerations do not overly concern the market. The French and German central banks found this to their cost when they jointly intervened last year in a fruitless attempt to defend what

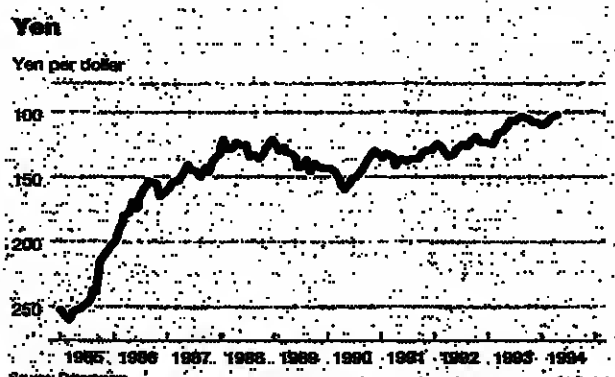
appeared to be an economically justified fixed link between their currencies.

As the French and Germans also found last year, central bank intervention is too small to control the giant forces of the foreign exchange markets. The dollar-yen market turns over between \$100bn and \$150bn worldwide daily, easily equivalent to the Bank of Japan's entire foreign reserves, which amounted to \$104.56bn at the end of April.

The biggest players in the current currency turmoil are the Japanese banks and life insurance companies. They have sold record volumes of Japanese shares over past few months, to pump up their meagre earnings before closing the books at the end of March.

Foreign investors have been eager buyers, spending on average ¥1,000bn per month on Japanese shares in the first quarter of this year, according to the Tokyo Stock Exchange. This has tailed off slightly since.

"Japanese institutions in general have a liquidity squeeze due to the after-effects of the bubble economy," said



Mr Peter Tasker, chief strategist at Kleinwort Benson, referring to the sharp inflation and then collapse of Japanese asset prices at the turn of the decade.

"They can only generate cash by selling assets overseas and transferring them into yen or selling yen assets to foreigners," he added.

Japanese corporate holders of US property last year sold or partially disposed of \$17.59bn of US properties, nearly a quarter of the total US property portfolio built up by Japanese institutions since the start of

their investment boom in 1985, according to Kenneth Leventhal, the US accountancy firm. At the same time, Japanese investors have sharply reduced their purchases of dollars since the turn of the year thereby weakening the US currency—and no doubt proving that they were right to do this.

In the final quarter of 1993, Japanese institutions bought \$37.5bn of US shares and bonds, a four-year record and more than Japan's current account surplus in that period.

That dwindled to a mere

\$3.5bn at the latest count by the finance ministry, for the first two months of this year.

This dramatic change reflects Japanese investors' loss of confidence in the dollar, based on suspicion that the US administration is tempted by competitive devaluation, according to Mr Geoffrey Barker, chief economist at Baring Securities in Tokyo.

"The intervention we have seen by the Fed and the Bank of Japan has not yet restored confidence," he said.

All this suggests that the International Monetary Fund is right to believe that there will this year be little change in Japan's record \$131bn current account surplus last year.

Yet these forces were in place before the latest surge in the yen, inviting the question why did the foreign exchange markets choose now to move.

One popular explanation is the emergence last week of a weak minority Japanese government, unlikely to agree on tax cuts needed to stimulate demand and so likely to frustrate the US, which will then be tempted to push up the yen to put pressure on Japan to

open its markets.

The flaw in that view is that the new government is not much weaker than the last one; and a strong Japanese administration might in any case worsen the US trade dispute.

But there is a real political risk that this and future governments will lack a clear economic agenda, argues Mr Paul Summerville, director of Asian Research for Lehman Brothers Japan.

That implies little chance of enlarging the upside recovery, so far limited to areas like housing and public works, which do not consume large amounts of dollars.

Renewed fears of inflation in the US, fuelled by recent data, is another new factor.

Either way, the brute weight of money is what counts in the end.

Foreign exchange analysts in Tokyo expect a fresh attack on the dollar and upward push on the yen as soon as the Golden Week holiday ends on Friday.

They predict that joint intervention by the US Federal Reserve and the Bank of Japan will be tested to new limits. See Currencies page

Tokyo tries to defend policy towards Iran

By Paul Abrahams in Tokyo

Japan's foreign ministry yesterday defended its policy of ties with Iran following allegations last week that Tehran has been supporting terrorist groups including the Irish Republican Army and the Japanese Red Army.

The ministry was attempting to deflect criticism of Japan's independent Iranian policy which is likely to be on the agenda at July's G7 summit.

Officials indicated that the policy could be reviewed if the UK provided conclusive evidence of terrorist links. "The allegations involving the IRA are completely new and have come as a complete surprise to us."

Iran is linked with the IRA, they would have to be decisive," said a ministry official.

A change in Tokyo's policy towards Tehran would be a relief to the US and UK. Both have been anxious to use Tehran's short-term debt crisis to force Iran to change its policies and Japan has been providing aid and finance for Iran's beleaguered economy, including rescheduling \$2.5bn worth of short-term debt and supplying US \$5bn in aid for a hydro-electric power project.

Ministry officials yesterday said the aim of this strategy was to support the "pragmatists" in Tehran. These moderate elements, led, according to the officials, by President Ali Akbar Hashemi Rafsanjani, are on the defensive because of Iran's deteriorating economy. The danger was that President Rafsanjani could fall, to be replaced by someone worse.

"Iranian politics is complicated and it is far from clear what would happen if he [President Rafsanjani] was ousted. But it could lead to an extreme form of government, and that would not be in the international community's interest," said one official.

The ministry pointed out that German, Austrian and Danish companies had carried out similar rescheduling programmes. "The rescheduling issue is over because of the Europeans," said an official. In any case, he explained, the Japanese government, given its free-market policies, did not have the authority to prevent private companies rescheduling. US trade with Iran was expanding and was already greater than Japan's, he added.

"By having reasonable relations with Iran, we have some influence. The Iranians, for example, are being very careful with the North Koreans [about missile technology]," the official said.

concluded. "President Rafsanjani is a source of realism in the government. We can see that in the restraint Iran has been showing in not exporting revolutionary Islamic ideology to neighbours such as Afghanistan, Azerbaijan and Armenia."

The ministry said its policy was not motivated by oil. Iran supplies between 7 per cent and 8 per cent of Japan's oil requirements, compared with more than 30 per cent before the Iranian revolution. However, officials conceded that Japan had an interest in achieving stability in the Gulf since more than 50 per cent of Japan's oil supplies come from the United Arab Emirates and Saudi Arabia.

Ministry officials said they were aware of incidents suggesting links between the Iranian government and assassinations, noting that since the beginning of 1991, at least 12 opponents of the regime in Tehran have been killed. They include the former bodyguard of the Shah killed in Turkey two years ago, the assassination of Mr Mohammad Hassan Arbab in Pakistan last June; the machine-gunning of four members of the Kurdish Democratic Party in Berlin in 1992, and the dramatic killing of the former Iranian prime minister, Mr Shahpour Bakhtiari, in Paris in 1991.

The Japanese foreign ministry said it had no evidence directly linking the assassinations with the Iranian government but elite investigations into the murder of Mr Bakhtiari which led French prosecutors to conclude that Vevak, Iran's secret service, was responsible for the murder.

Ministry officials said they were aware of reports suggesting members of the Japanese Red Army had visited Tehran late last year together with elements of the IRA, Abu Nidal and other groups. They had also heard suggestions that the Japanese then travelled to the Bekaa Valley in Lebanon to be trained by members of the Iranian Republican Guards with the intention they should conduct joint assassination missions with other extremist groups in the US and Europe.

If the UK was able to provide evidence about links between Iran and the IRA, this could affect Japan's policy, the officials said. The moment for decisive action has not yet arrived, however. "Until we are provided with proof, it would be premature for Japan to take sanctions against Iran," they said.

Hata in first overseas visit

By Michio Nakamoto in Tokyo

Mr Tsutomu Hata, the Japanese prime minister, yesterday left for Europe on his first official visit abroad after taking office last Monday.

Mr Hata will be visiting Italy, France, Germany and Belgium, and is scheduled to meet the heads of government of those countries as well as Mr Jacques Delors, president of the European Commission.

Discussions between the Japanese prime minister and his European counterparts are likely to centre on furthering bilateral and regional ties.

During his meetings with European leaders, including French President Francois Mitterrand and German Chancellor Helmut Kohl, Mr Hata is likely to explain Japan's efforts to deregulate its markets in an effort to reduce its massive trade surplus and help boost international economic activity.

The European Union has expressed concern about Japan's current account surplus, although discussions on the issue have been overshadowed by recent freight exchanges regarding trade between the US and Japan.

The Japanese prime minister



Tsutomu Hata: discussions on furthering bilateral ties

is also expected to confirm Japan's support for UN-led peace efforts in the former Yugoslavia.

The trip, which was planned by his predecessor, Mr Morihiro Hosokawa, will provide the new Japanese prime minister with an opportunity to get

to know his counterparts in Europe before the Group of Seven summit meeting in Naples in July. The Golden Week holiday period, when most of Japan shuts down, has usually been a convenient time for the country's prime ministers to travel abroad.

Miti angered by US view of trade practices

By Michio Nakamoto

Japan's Ministry of International Trade and Industry has responded angrily to a US report which criticised Japanese trade practices as ambiguous, lacking in objectivity and in many ways based on faulty or questionable analysis.

"We cannot understand clearly what is the standard of their judgment," said Mr Sozaburo Okamoto, the trade ministry's vice-minister for international affairs, in response to the 1994 National Trade Estimate Report on Foreign Trade Barriers published at the end of March. Because Super 301 was revised by the US, the 1994 report, unlike previous NTE reports, becomes part of the process of invoking the Super 301 trade bill which allows the US to unilaterally retaliate against countries it judges to be unfair trading partners.

In a formal written response presented to the US embassy in Tokyo yesterday, the trade ministry notes that Super 301 goes "against the letter and spirit of the Gatt and the Uruguay Round accords."

Having said that, many assertions made in the NTE

The US has delayed for two months trade action against China for its failure to enforce intellectual property rights and against Japan for discriminatory government procurement practices, writes Nancy Dunne in Washington. The postponement keeps the focus on China's human rights policies a month before President Clinton must decide whether to renew China's Most Favoured Nation trade status. It also gives Japan's new government time to address US complaints about barriers to US telecommunications and medical equipment companies when bidding on government contracts. Mr Mickey Kantor, US trade representative, said some progress was made on Japan's procurement practices in talks at Marrakech with Mr Tsutomu Hata, now prime minister, and the US "will assess the seriousness of any official Japanese response". On intellectual property rights China as well as Argentina and India "pose the most significant problems in this area".

report lack theoretical or factual basis, Miti says. For example, the report's assertion that Japan's large and persistent (current account) surpluses indicate an imbalanced approach to trade in Japan and have depressed production and employment in many of Japan's trading partners cannot be supported by the facts, the trade ministry points out.

Miti said that Japan's surpluses are not proof of closed markets, but instead indicate an imbalance of savings and investment. Countries such as Hong Kong and Singapore, which clearly have low trade

barriers, also have trade surpluses, it noted. In addition, Japan's low average tariff rate on manufactured and mining products—at 2.2 per cent, compared with 5.4 per cent for the US and 5.7 per cent for the EU—and its low number of items subject to import quotas, belie the assertion in the USITR's report that Japan is significantly less open to imports and foreign direct investment than other countries.

To cut Japan's surpluses it is necessary to raise investment in Japan and change the balance of savings and investment, Miti noted.

INTERNATIONAL PRESS REVIEW

The tabloids pick on Ozawa

By Ennio Torazono

In an effort to ease the boredom of a long and crowded commute, many Japanese salarymen reach for the tabloid sports dailies, rolled up in high pillars at the front of newstands, before boarding their trains to work.

And the tabloids seldom disappoint. While office workers get their mainstream dailies delivered to the door, the sports tabloids, lacking the extensive distribution systems of the large newspapers, try to lure readers with their colourful front pages and lurid headlines.

The downmarket tabloid papers provide their readers with a mish-mash of coverage—last night's baseball and soccer results, photos and comics of scantily clad women, the latest in showbiz gossip and the recent goings on in Nagatsubo, Tokyo's political district.

The sensational, and often bizarre stories, together with unrestrained assaults on the mainstream press and public figures, have continued to attract more readers.

The top four sports tabloids—Sports Nippon, Nikkan Sports, Sankai Sports and Hochi Shimbun—with a total circulation of 2m, have seen their sales rise by 2 to 3 per cent a year, while circulation growth at the mainstream dailies has been flat for the past few years.

The frustration among white collar salarymen as a result of this prolonged recession has also helped the tabloids' sales. The mocking captions, anti-establishment attitudes, and of course the smut, have even caught the imagination of elite businessmen, who strictly limit the scanning of such papers to the trains, away from office



Ozawa: his comparison of the parliamentary alliance to an extramarital affair was picked up by every tabloid

and home. Political coverage, usually tucked alongside advertisements for sex telephone lines and office workers' blue suits, has recently managed to find its way onto the outside pages. Bypassing any attempt at high-handed analysis, the tabloids have opted to provide their readers with frivolous

information about politicians and the squabbles in Nagatsubo, subjects usually untouched by the morning dailies.

When the new cabinet was announced last week, Sports Nippon and Nikkan Sports carried tables which provided blood types, horoscopes, and heights and weights of all the

ministers. Nikkan wondered if Prime Minister Tsutomu Hata, a Virgo with blood type O, could manage the helm.

With the political interests and coalition turmoil becoming too complicated for the tabloids—and the ordinary Japanese—to follow, the down-market press have made things simpler by lambasting Mr Ichiro Ozawa, the coalition's strategist.

Mr Ozawa's comparison of last week's creation of the parliamentary alliance "Kaishin" or innovation, to an extramarital affair was picked up by every tabloid. "It doesn't matter how many women one sleeps with, if the Socialist Democrats feel jealous they have only to come and join us," he said in response to the outcry among the socialist members, who have been strongly opposing any grand union among political parties.

In an article beside a photo of Tonya Harding, the Nikkan Gendai called Mr Ozawa an "immature and defective human being," condemning his sexist slurs and another loose comment in which he suggested the Asahi Shimbun, a centre-left daily with anti-Ozawa tendencies, should be blown up with a nuclear bomb.

Meanwhile the television commentators over the weekend poked fun at Mr Hata's questionable ability as a leader. One prime time programme offered film clips of newly appointed ministers clad in their 1920s-style suits, scrambling for photogenic positions at the ritual picture taking of the cabinet. Mr Koji Kikuzawa, foreign minister, and Mr Mutsuki Kato, agriculture minister, seemingly unaware of the rolling camera, ignored Mr Hata's protests to let the "women in the front," and shoved aside fellow cabinet members to stand in the front row with the prime minister.

Seoul to increase watch on North

By John Burton in Seoul

South Korean President Kim Young-sam yesterday ordered increased surveillance of North Korean military movements in response to its threat to disband the military armistice commission.

South Korean defence forces were placed on temporary alert on Saturday after between 15 and 20 North Korean aircraft were detected flying close to the demilitarised zone between the two Koreas. The aircraft manoeuvres indicated increased military exercises by North Korea.

North Korea has threatened to pull out of the military armistice commission, which supervises the truce that ended the Korean War of 1950-53, unless the US holds negotiations with Pyongyang on a peace treaty to replace the 40-year old armistice agreement.

The US has refused the demand, explaining the dispute over North Korean nuclear inspections must be resolved first.

Western diplomats in Seoul believe that North Korea is using the peace treaty proposal as a new bargaining chip in the international negotiations over nuclear inspections.

Those negotiations appear to be at a standstill after North Korea last week rejected conditional Atomic Energy Agency for new inspections of its nuclear sites, including supervising the refuelling of its SMW reactor. The US is concerned that unsupervised replacement of the reactor's fuel rods this month will allow North Korea to produce four or five nuclear devices.

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SIEMENS

Information for Siemens shareholders

Growth in international business

During the first six months of fiscal 1994, international business compensated for continuing overall weak domestic demand. In particular, major projects and the initial consolidation of Osram Sylvania (U.S.A.) contributed to double-digit growth rates in business outside Germany. Overall, new orders rose 9%, and sales 3%. Net income remained at the previous year's level.

Orders

During the period under review, Siemens recorded new orders worth DM44.4 (1993: DM40.9) billion. Following a strong start at the beginning of the year, international orders continued to show solid growth rates in the second quarter. At DM26.9 billion, new orders exceeded the comparable year-earlier figure of DM22.2 billion by 21%. A considerable part of this growth is attributable to the initial consolidation of Osram Sylvania, Inc., U.S.A., as well as to several orders for major projects. Domestic business, in contrast, has not yet recovered on a broad basis; orders decreased to DM17.5 billion, compared with last year's DM18.7 billion. Hardest hit by weak domestic demand were the Industrial and Building Systems, Automation, Public Communication Networks, and Power Transmission and Distribution Groups. Strong international orders more than offset the weak domestic business of the Drives and Standard Products, Automotive Systems, Medical Engineering, Private Communication Systems, and Power Generation (KWU) Groups. The Semiconductors Group benefited from favorable domestic and international market conditions and showed a significant increase in orders and sales.

Sales

Worldwide sales rose 3% to DM38.0 billion, compared with DM37.0 billion a year earlier. International sales developed more favorably than sales in Germany, where a decrease to DM15.6 (1993: DM17.2) billion was recorded. In contrast, international business climbed 13% to DM22.4 billion from DM19.8 billion a year earlier. Without Osram Sylvania's consolidation, overall sales remained flat. Growth drivers were again the operating units in the components business and the Transportation Systems Group. Siemens Nixdorf Informationsysteme AG (SNI) recorded growth in international sales, but this was not enough to compensate for weak domestic demand.

Employees

At 31 March 1994, the number of employees worldwide was roughly 397,000, or 6,000 more than at the end of fiscal 1993 (30 September). The total of 14,000 employees added by the inclusion of newly consolidated companies, primarily Osram Sylvania, exceeded overall workforce reductions of 8,000. The number of employees outside Germany rose by 11,000 to 164,000, contrasted with a decrease in the domestic staff by 5,000 to 233,000. SNI and the Medical Engineering and Public Communication Networks Groups, in particular, were affected by the downsizing. Corporate departments and infrastructure services also recorded a significant decrease in the number of employees. In contrast to general personnel reductions, the number of part-time positions increased by 2,000.

Capital spending and net income

Capital spending during the first six months totaled DM2.4 (1993: DM3.5) billion, the decline being mainly due to fewer acquisitions. The prior year's figure reflected the acquisition of Sylvania's North American lamp business from GTE Corporation, U.S.A. Net income, at DM879 (1993: DM877) million, remained at the previous year's level.

Siemens AG, Berlin and Munich

DM billion	1/10/92 to 31/3/93	1/10/93 to 31/3/94	Change
Orders	40.9	44.4	+9%
German business	18.7	17.5	-6%
International business	22.2	26.9	+21%

DM billion	1/10/92 to 31/3/93	1/10/93 to 31/3/94	Change
Sales	37.0	38.0	+3%
German business	17.2	15.6	-9%
International business	19.8	22.4	+13%

'000s	30/9/93	31/3/94	Change
Employees	391	397	+2%
German operations	238	233	-2%
International operations	153	164	+7%

	1/10/92 to 31/3/93	1/10/93 to 31/3/94	Change
Capital expenditure and investments DM billion	3.5	2.4	-33%
Net income after taxes DM million	877	879	0%

unaudited accounts

NEWS: INTERNATIONAL

Presidential election hopes prompt moderation

Brazilian Workers' party softens policy

By Angus Foster in São Paulo

Brazil's left-of-centre Workers' party (PT) has agreed a watered-down policy on the country's foreign debt which should help the election chances of its leader, Mr Luis Inácio Lula da Silva, front-runner in polls for October's presidential elections.

At the party's annual conference at the weekend, Mr da Silva and other moderates saw off calls for an immediate moratorium on Brazil's foreign debt if the PT won the presidency. Instead, a future PT government will seek to renegotiate existing accords and only suspend payment as a final measure in the face of creditors' intransigence.

Brazil is the developing world's biggest debtor and last

month closed a \$49bn (\$33.5bn) debt rescheduling after four years of negotiations. PT leaders insist the rescheduling was a bad deal for Brazil and that their government would seek better terms. However, some analysts believe an incoming PT government would have many other more urgent domestic problems to confront.

At the annual conference, several delegates attacked the International Monetary Fund and said debt payments should stop if they threatened Brazil's foreign reserves, standing at more than \$30bn.

Mr da Silva, who has moved from the left to the centre of the party since his defeat in the last presidential election in 1990, also moderated other policies in areas such as foreign investment and access to abortion.

The main problems a PT government would aim to tackle include social issues such as education, health, agricultural reform and land.

In opinion polls Mr da Silva is comfortably ahead of his nearest rival, Mr Fernando Henrique Cardoso, former finance minister. Full campaigning will probably not get under way until after the football World Cup final in the US in July.

Mr Cardoso was yesterday expected to announce a formal election alliance between his party, the centrist Brazilian Social Democrats (PSDB), and the right-of-centre Liberal Front (PFL), the second largest party in Congress. The alliance will give Mr Cardoso support in north-east Brazil, where the PFL is strong but Mr Cardoso weak.

Election threat to Ecuador reforms

By Raymond Collitt in Quito

Opposition parties yesterday won a convincing victory in Ecuador's mid-term congressional elections, threatening the future of President Sixto Durán Ballén's economic reform programme.

The president's Republican Unity party lost six seats in Congress and together with its ally, the Conservative party, now commands only nine of the 77 congressional votes.

The overwhelming winner of the election is the opposition Social Christian party, with 25 seats or one-third of the power in parliament.

President Durán insisted that "a couple of representatives less in parliament won't change the course of my government".

The president added that even without a legislative majority during his first two years, he had begun restructuring the country.

In order to continue and advance his state modernisation programme the president must forge alliances with opposition parties, notably the Social Christian party. Its leader and 1992 presidential candidate, Mr Jaime Nebot, indicated that his party supported a reduced state sector but at the same time would demand more social compensation for those affected by reform.

To move ahead with the privatisation of strategic sectors of the economy, the government will require congressional approval of pending legislative proposals.

According to opinion polls, the outgoing Congress was the most unpopular since Ecuador returned to democracy in 1979. As a result, voter apathy was considerable.

If Ecuadorians approve the proposal to elect congressmen for four years, as stipulated in the plebiscite to be held on July 31, these could be the last mid-term congressional elections.

Critics argue that months of campaigning significantly impedes the legislative process.



Ernesto Zedillo: on defensive in an interview

Zedillo faces fallout from Mexican row

By Damian Fraser in Mexico City

Mexico's opposition has demanded that a cabinet minister be investigated for using public funds to support Mr Ernesto Zedillo, the governing party's presidential candidate, in what may be the first test of the government's willingness to abide by new electoral laws that outlaw such activity.

The opposition demand follows reports that Mr Carlos Hank González, the agriculture minister, arranged the publication of a newspaper advertisement in which 57 current and former ministers expressed their support for Mr Zedillo.

The advertisement, which was published on April 12, has been much criticised, in part because signatories included ambassadors and a supposedly non-partisan electoral official.

The accusation - backed by a photocopy of a letter to the 57 signatories, signed by Mr Hank González's private secretary - is that the agricultural minister used official tele-

phones, faxes and secretarial time in rallying support for Mr Zedillo. Mexico's new electoral law forbids such activities, and punishment could include a prison sentence.

The opposition demand is particularly embarrassing for Mr Zedillo, as Mr Hank González is his most powerful ally among the party's old guard. If any action was taken against Mr Hank González, the fragile coalition in the Institutional Revolutionary party that supports Mr Zedillo would come under strain.

In an interview Mr Zedillo was defensive. "It is not proved. A photocopy of something is not proof in either this country [or] yours," he said.

The PRI has also been criticised for apparently backing down on its promise to publish its spending in the election campaign. Mr Zedillo said last week he would inform the public just once of the spending in his campaign before August's election, and refused to disclose how much the governing party had spent to date.

NEW CHIEF AT HELM OF VENEZUELAN CENTRAL BANK

Casas pledges to defend foreign exchange system

By Joseph Mann in Caracas

Mr Antonio Casas González, an economist with experience in domestic and international finance, took over as president of Venezuela's central bank at the weekend following three days of pressure on the nation's foreign currency reserves and a sharp decline in the bolivar.

In Mr Casas' first public statement as head of the central bank he underscored his commitment to defending the institution's autonomy and pledged to maintain the system of supply and demand of foreign exchange in effect before last week's crisis, when his predecessor resigned.

The Venezuelan central bank controls more than 90 per cent of the nation's foreign

exchange reserves and its presence on the exchange market, until recently managed under a crawling peg system, is an important factor in determining the value of the bolivar. Problems began last week when Mrs Ruth de Krivoy resigned from the bank presidency; her departure precipitated a rush to buy US dollars.

Mrs Krivoy resigned after two years in the post because she felt the government of President Rafael Caldera was trying to compromise the bank's independence.

The government quickly appointed Mr Casas as governor but at the same time the central bank was trying to slow sales of dollars to commercial banks, some bankers reported.

The initiative, which was

started last Wednesday but which was not encouraged by the Caldera government, succeeded only in raising fears of exchange controls. On Friday the central bank set an informal limit on sales to commercial banks and the bolivar suffered its worst decline against the US dollar in the last 16 months, falling by 4.6 per cent to close at 124 to the dollar.

At midday yesterday the bolivar continued to fall and demand for dollars was so strong that some banks ran out of US notes. At one commercial bank in Caracas, Banco Venezolano de Crédito, the dollar opened yesterday morning at 126 bolivars to the dollar and closed just before noon at 132. This amounted to a devaluation of 4.5 per cent in only a half day's trading.

The Financial Times
plans to publish
Tyne &
on Tuesday

FT Sun

Mandela's cabinet choices will signpost way to future

Everyone has known for months who will be South Africa's next president: Mr Nelson Mandela. So the betting classes have had to focus their wagers on the post of first deputy president, effectively the prime minister.

Mr Mandela has so far given away no secrets on his intentions for this post, or for any other in the 27-minister cabinet.

Before making these appointments he is required to consult the leaders of other parties represented in the planned government of national unity: all parties with more than 5 per cent of the vote are entitled to representation in proportion to their share of the national vote, and others may be invited in at his discretion.

But the final decisions are his, and it seems unlikely he has made them yet. Indeed, ministerial horse-trading probably cannot begin until after the final electoral results are known and it would take a day or two to know what will be.

Under the constitution, the National party (as the second largest) is guaranteed the post of second deputy president. This post will be filled by Mr F.W. de Klerk, the incumbent president. Beyond that the NP

The toughest appointment will be that of first deputy president, with the winner becoming Mandela's heir-apparent, writes Patti Waldmeir

wants ministers in three broad categories: security, economy, and social affairs. And Mr Mandela seems inclined to cede powerful posts in each category.

However, the odds are that these will not include the important post of minister of finance.

Businessmen and international investors, who have pinned their hopes on the incumbent minister Mr Derek Keys continuing in office, will probably be disappointed.

Mr Mandela's African National Congress sees the upliftment of black South Africans as the central mission of its 30-year liberation struggle; it is unlikely to put the main economic portfolio in the hands of a member of the outgoing government. While Mr Chris Shale, the central bank governor, will remain in office (Mr Mandela has guaranteed

this), Mr Keys could be offered the post of minister of trade and industry.

He previously indicated no interest in the job but may have reconsidered.

Indeed, the Finance Ministry could turn out to be the linchpin of the whole cabinet structure.

Once this post is filled it will determine other appointments for there is only one man in the ANC team who would make a remotely credible minister of finance - Mr Thabo Mbeki, the ANC's shadow foreign minister.

Mr Mbeki is a class act, and the ANC has used him as a kind of unofficial ambassador to white South Africa. Businessmen breathe an almost audible sigh of relief when they know they have the urbane and charming Mr Mbeki to deal with. He has a masters degree in economics

from Sussex University, although on background in finance. But he is well known internationally, and has the confidence to handle international negotiations well.

Under the circumstances, Mr Mandela could probably make no better choice.

The decision could have a significant long-term impact on the future of South Africa. For if Mr Mbeki was appointed finance minister he could not become first deputy president. The leading contender for that post then would be Mr Cyril Ramaphosa, ANC secretary general. The winner will become undisputed heir-apparent to Mr Mandela.

It is a difficult choice, for both men are well qualified for the job. Mr Mbeki, 51, is older and more experienced. Mr Ramaphosa, 10 years his junior, has a ruthless political instinct which he used to win a

constitutional deal which vastly favours the ANC. Few politicians can better him in battle. At the moment he looks the more likely choice, although only Mr Mandela knows for sure.

The ANC leader must also find cabinet space for one of his closest advisers, Mr Joe Slovo, chairman of the South African Communist party, who could win a security portfolio.

Mr Jay Naidoo, the union leader, could be made minister of reconstruction and development, a special economic post.

National party ministers must also be catered for.

Mr Mandela has said he would look favourably on Mr Kobie Coetsee, the incumbent justice minister and a hard-liner whom the ANC leader came to know while still in jail. Mr Roelf Meyer, the National party's chief constitutional negotiator and a leading "enlightened" nationalist, and Mr P. Botha, the long-serving foreign minister.

Far more difficult will be what to do with Chief Mangosuthu Buthe, leader of the Inkatha Freedom party, who could be made a third deputy president in the interests of national unity, and Gen Constand Viljoen, leader of the

What the voters voted for

Government of National Unity

President Elected by the National Assembly

Deputy Presidents One each nominated by the two parties with the most votes

Cabinet Maximum of 27 ministers with places allocated proportionately from parties holding a minimum of 20 National Assembly seats

Parliament The two houses also sit jointly as Constituent Assembly

200 members elected proportionately from national election lists, except in the case of the National party, which had no national list and will choose all its representatives from provincial lists

200 members elected proportionately from provincial lists

National Assembly 400 seats

Senate 90 seats

10 members nominated by each of the nine provincial legislatures

Provincial Legislatures

Electoral results by province

Provincial Legislatures

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Electoral results by province

'If it was not so tragic, it would be funny'

"Our only comfort is that the television broadcasters are making a bigger mess than we are," admitted an election official in a candid moment.

But the authorities at the SABC, the national broadcaster, would have good reason to coo to that assertion.

Journalists who had planned to cover what should have been the inspiring story of South Africa's historic first all-race elections have been forced into writing about the coddling inefficiency of South Africa's Independent Electoral Commission, charged with running the elections.

The list of problems is seemingly endless. The IEC, having botched much of the four days of voting through a string of logistical oversights, now seems hard pressed to complete the counting process properly.

At Gallagher Estates, the plush conference centre just outside Johannesburg that was presented to the world as the information nerve centre of the election, nobody seems to know what is going on. Increasingly irritated media representatives are frequently handed out-of-date election results that have been taken off the wire services.

When new information does arrive, raw figures are distributed without verification or explanation.

And when, following complaints, an official issued a breakdown of voting in percentage terms, a hasty calculation showed the figures were incorrect.

The larger mortality - once used to describe apartheid-era Afrikaans politicians - has become a better description of many commission officials who have retreated into defensive mode, blaming each other and, more frequently, IEC head office for the fiasco.

"The IEC has taken note of your legitimate complaints and will seek to remedy them at the soonest opportunity," has become the stock phrase of the mild-mannered Mr Humphrey Khosa, the IEC official given the thankless task of dealing with the media.

Nonetheless, at the numerous press conferences designed to guarantee "full transparency" of the election process, comments are almost invariably opaque.

Mind-boggling declarations such as the fact that "formally unverifiable votes will be specially counted" are routinely issued.

Justice Johann Kriegler, head of the commission, claimed that the assessment and apportionment of all such technically invalid votes would be decided according to "a quantity thing, a distribution thing, a general pattern thing".

In an effort to speed up the flow of results the commission has jettisoned nearly all the safety precautions installed to prevent voter fraud - first by having to print millions of new ballot papers without the security countermarks and then, instead of counting ballots only from sealed official ballot boxes, declaring that votes delivered in cardboard boxes and even plastic bags were valid.

Even more serious, instead of checking each ballot box received at counting stations with information from each polling station as to the number of boxes delivered, which is required under the electoral law, all votes received are being counted immediately.

"Reconciliation", sceptical listeners are told, will follow after the results are released. Indeed, the much-trumpeted "verification procedure" consists of little more than IEC headquarters phoning up counting stations to doublecheck on the figures transmitted.

And, when that information is counted, instead of being immediately relayed, as promised, to the hundreds of the journalists gathered at the conference centre, it is transmitted by modem to two outdated personal computers. Even this limited operation hit snags; when the wires went down early on Sunday morning, attempts to rouse a sleeping technician to repair the damage were foiled when his mother refused to wake him up.

One party official summed it up this way: "If it wasn't so tragic, it would be funny."

Mark Suzman

Next chapter unclear after fairy-tale start

South Africa has emerged triumphant from the most perilous stage of a revolution without precedent, and its citizens seem bemused by their achievement.

After more than three hundred years of supremacy, the white minority last week finally, irrevocably and peacefully surrendered power at the ballot box to the country's black majority.

The full details of this astonishing - some say miraculous - event are not yet known, for the election commission is still grappling with mountains of ballot papers.

And one major obstacle which could jeopardise the prospects of a stable South Africa may yet emerge: the outcome of voting in KwaZulu-Natal, stronghold of the Zulu leader, Chief Mangosuthu Buthe.

Nor, at this stage, is it clear what may be the next step of the white right, whose extremists could yet destabilise South Africa with an assassin's bullet.

But, as an exuberant president in the waiting, Mr Nelson Mandela celebrated the ANC's achievement at last night's victory party, taking satisfaction in a fairy-tale start to the new South Africa.

And, as he pressed ahead with the critical process of reconciliation, South Africa's remarkable political metamorphosis continued.

In the television studios and televised press conferences, on radio and on newspaper front pages, one leader began assuming the mantle of power, and the other, incumbent President F.W. de Klerk, began shedding it. Before its eyes, South Africa watched a process unfold which has never preceded nor paralleled in Africa, and perhaps the world.

Mr Mandela, ever less than a monumental personality, seemed to gain further stature

as the results trickled in; almost perceptibly, the aura that comes with office seemed to desert Mr de Klerk. Nothing so became the two men, and the country in their charge, than this transfer of power, which is due to be made formal at next week's inauguration in Pretoria.

"For the first time I envy South Africans, for the first time I wish I could call myself South African," said one hard-bitten observer of many years standing last week. He had been moved almost to tears as he watched black and white embrace at a moving ceremony that took place at mid-

Nothing so became Mandela and De Klerk as this transfer of power

night on Tuesday.

Seldom, if ever, can the advent of democracy have been the instrument of catharsis so profound, so liberating, for rulers and ruled alike, as South Africa's unforgettable and moving experience last week. Millions suffered under apartheid. But apartheid's victims extended beyond its borders. Hundreds of thousands died in Angola, Zimbabwe and Mozambique, the front-line states in the proxy battles to defend white rule.

But last week, for a precious few days, the pain of the past seems to have been eased, even thrust briefly out of mind.

A truce, unspoken and unspoken, in the political fighting that has cost more than

14,000 lives over the past 10 years was broken but not spoiled by the bombs of the extreme right. In the 24 hours that ended yesterday morning, police reported that there had not been a single death from political violence.

Joyous as the election was for blacks, it also became liberating for whites. As they cast their votes, many spoke of having the sense of casting off the burden of apartheid, whether or not they had supported the policy. Many were taken aback by the simple - though unprecedented experience - of going to the polling booths, black, coloured and white, as equals, to choose a government that for the first time will reflect the will of the majority.

The orange, white and blue flag of the old South Africa was lowered at centres across the land, and the new one raised while choirs sang the region's hymn of liberation, now adopted as one of the official anthems of post-apartheid South Africa: *Nkosi sikelele i-Afrika* (God bless Africa).

For black South Africans in particular it was a proud moment, but for many Afrikaners it must have been a poignant, painful one. As that flag entered the history books, the other official anthem carried across the night air, sung in Afrikaans, and no doubt giving comfort to those fearful of what the future holds: *Die Stem van Suid-Afrika* (At thy call we shall not falter, firm and steadfast we shall stand. At thy will to live or perish, O South Africa, dear land).

Over the past week at least, most white South Africans overcame their apprehensions. And whatever may happen in the future, for a few days, South Africa has basked in the glow of pride asserted, and pride recovered.

Michael Holman



On the road to change (clockwise from top left), Judge Johann Kriegler, IEC chairman, reflects on the electoral fiasco; an IEC official counts ballot papers in Cape Town; and ANC supporters anticipate victory as results filter in

Mixed-race voters ensure Nats triumph in the Cape

South Africa's mixed-race (coloured) citizens, who straddled the apartheid divide for almost 45 years, have voted to retain white domination at the Cape, where their black and white ancestors met in 1652, writes Brendan Boyle of Reuters in Cape Town.

Early results in South Africa's first all-race elections gave President F.W. de Klerk's white-led National party a commanding 30 per cent lead over Mr Nelson Mandela's largely black African National Congress in the Western Cape region.

Political analysts said the lead was due to support from colonised, who fared better under apartheid than blacks but not as well as whites.

Mr Hennis Kriel, the white law and order minister, told reporters he expected an outright win in the race for premier of the region, which has

Cape Town as its capital. Mr Allan Boesak, coloured ANC premiership candidate, conceded that defeat was imminent. "The ANC will accept the outcome of the democratic process. As a people and as an ANC organisation in the Western Cape, we are ready to do whatever the situation demands of us."

Earlier, radical ANC activist Tony Yengeni, a member of the party's regional executive, broke ranks to talk of his sense of betrayal at the apparent NP lead. "Already the man in the street in the [black] township is feeling betrayed," he said. "We have been tortured and oppressed by the white man in this country for so long... and now a section of the population votes for the party that oppressed us to return to power."

The region's coloured community descends from early

unions the Dutch settlers and the later British arrivals had with the indigenous black population they found at the Cape. Mr Yengeni said ANC leaders would have to act decisively to prevent a black backlash against the mainly Afrikaans-speaking coloureds, who comprise almost 60 per cent of the 2.3m Western Cape electorate.

Emotional ANC and NP supporters gathered and traded insults late on Sunday on Cape Town's Grand Parade, where Mr Mandela made his first public appearance after his release from 27 years in jail in February 1990.

Ms Miriam Ebrahim wept as she watched NP members celebrating their likely victory with shouts of "Viva F.W. de Klerk." She said: "It was our own people that stabbed us in the back."

But Mr Andre Hofmeister, a

coloured whose name underlines his half-European ancestry, pointed to a crowd of ANC supporters dancing with posters of Mandela and said: "These people are too stupid to realise that, if a black man rules this country, it will be run into the ground."

In a squalid shantytown there was no echo of the animosity evident on the Grand Parade. Standing next to a wooden fruit and vegetable stand, an ANC supporter, Mr Emanuel Makunga, said that most blacks would accept the results peacefully as part of the democratic process.

"This was a liberation election," he said. "People are more happy that they could vote for the first time than they will be upset that the ANC didn't win here. People respect the election process. But they won't be happy to be ruled by the same NP again."

The Financial Times plans to publish a Survey on Tyne & Wear on Tuesday October 11

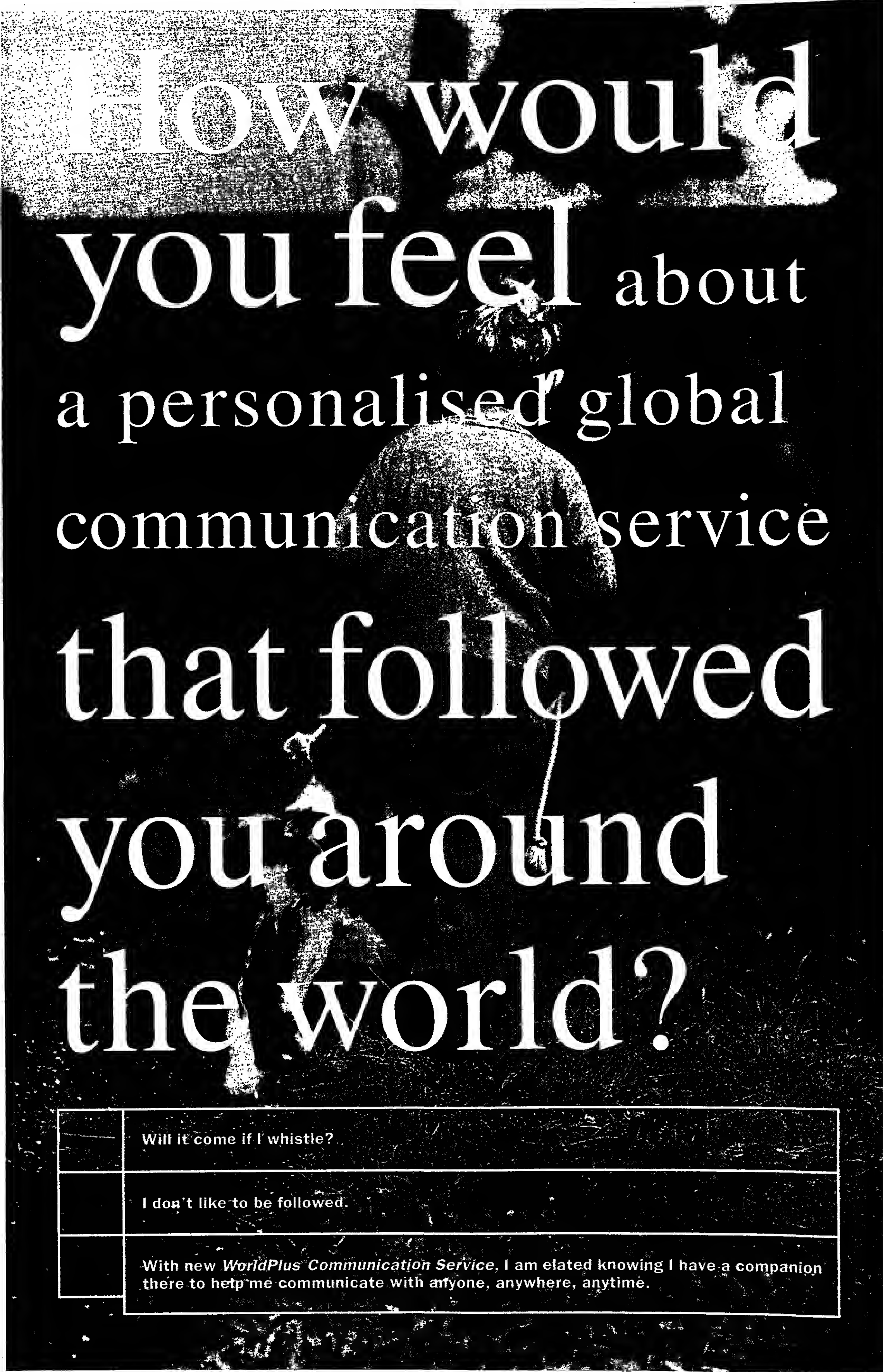
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NEWS: UK

Heinz plans to abandon TV marketing

By Raymond Snoddy

H. J. Heinz, the food manufacturer that brought the British public such memorable advertising campaigns as Heinz Ketchup, is planning to create a new slogan - Heinz Meant Direct Marketing.

Mr Tony O'Reilly, the flamboyant chairman and chief executive of the Pittsburgh-based international food group, is planning to end UK commercial television advertising for his products this year and instead concentrate on direct marketing.

Mr O'Reilly believes the era of mass

marketing is giving way to more targeted selling techniques.

The Heinz plan to give up television advertising would be one of the most radical marketing moves in recent years by a food manufacturer. It comes as manufacturers of branded food products are facing growing competition from cheaper, own-label goods produced by supermarkets. The Heinz account is one of the longest established in television advertising.

Heinz has already built up a database of 5.6m homes in the UK that are heavy users of the company's products. Mr O'Reilly plans to send special

discount vouchers directly to those homes, thereby bypassing conventional advertising media such as television and newspapers. The discount vouchers will be for individual Heinz products, such as baked beans, but also for groups of Heinz lines.

Mr O'Reilly, who is also chairman of Independent Newspapers of Ireland, has decided that direct marketing is the most cost-effective way of maintaining loyalty to the brands.

The Heinz chief executive sees the plan as the start of a "guerrilla" campaign against the increasing power of the large supermarket groups, which,

he believes, sometimes treat branded products cavalierly.

Mr O'Reilly wants to take control of discounting policy for his brands rather than leaving it to the discretion of supermarkets. He is concerned that Heinz products are often treated as mid-market products when they should be priced and displayed as premium brands.

The Heinz chief executive is planning to send out discount vouchers unannounced and expects supermarkets to honour them. In particular, he hopes stores will support Food Manufacturers' Federation rules against

"mis-redemption" - accepting vouchers as payment for any product as opposed to those intended.

Brand manufacturers have warned that they will reconsider UK investment plans unless curbs are put on supermarkets' "look-alike" products. The manufacturers are furious with the UK government's decision not to amend the trade marks bill to restrict the use of "look-alikes".

The warning has been given by Coca Cola, manufacturer of the world's best-selling branded product, and by members of the British Producers and Brand Owners Group.

Britain in brief



Tories in fresh poll disarray

Britain's governing Conservative party was yesterday thrown into fresh disarray just four days before this year's first crucial electoral test, when a senior MP called for nearly a third of the cabinet and the party chairman to be replaced.

The extraordinary public outburst by Mr David Evans, a member of the powerful 1922 committee of Tory backbenchers, undermined party efforts to mount a show of unity ahead of the local elections in four days' time.

His remarks came after Mrs Gillian Shephard, agriculture minister, implied that two out of ten Tory MPs did not fully support Mr John Major and that teams of supporters were already canvassing actively on behalf of two potential leadership candidates.

The local elections and the European elections in June, are expected to have a decisive bearing on whether Mr Major remains prime minister.

As senior cabinet ministers lined up to mark the fifteenth anniversary of unbroken Tory rule by attacking the Labour opposition, Mr Evans called for six cabinet ministers and Sir Norman Fowler, the party chairman, to go.

Speaking of "mease" in the party that Mr Major's closest advisers were "incompetent", he warned there were some 50 Conservative MPs who would not accept the prime minister "at any price".

De Savary denies collapse

Mr Peter de Savary, the flamboyant entrepreneur whose interests range from property to the oil business, yesterday angrily denied reports that his business empire was at risk of collapse. It emerged over the weekend that some ten days ago Standard Chartered Bank,

which has been associated with Mr de Savary for a number of years, has appointed the accountants Robson Rhodes as administrative receivers to Placeton, a property development company that three years ago represented 80% of Mr de Savary's net assets.

"I greatly resent suggestions that de Savary is either wiped out, bankrupt, personally in trouble or no longer able to take a positive role in business", he said. "That would be very misguided."

He said he had personally lost £50m in the collapse, and made it clear he believed that his continuing operations were insulated from the demise of the Placeton operations.

Wool body to levy fee

The International Wool Secretariat, which licenses the world's most recognised textile trademark, the Woolmark, is to introduce a \$7,000 annual fee for the symbol's use.

The IWS has announced that from May 1 1995 it will charge spinners, weavers and manufacturers for the use of the Woolmark and Woolblendmark - assuring the quality of textiles containing a 60 per cent minimum of new wool.

Britain's wool industry has reacted angrily to the move, the Confederation of British Wool Textiles arguing a flat fee will penalise small producers. But the IWS says a sliding scale of charges for the symbol, used on 300m garments a year, would incur excessive administrative costs.

Car sales growth slows

The growth in new UK car sales has slowed during April from the strong pace set in the first quarter. The industry is unclear, however, whether the market is simply drawing breath after the unexpected firm start to the year.

Ford estimates that new car registrations have grown by around 5 per cent year-on-year in April, which would be the slowest rate for several months. In the first three months of the year new car sales at £29,436 were 16.8 per cent higher than in the corresponding period last year.

Women 'opting out' of careers in management

By Richard Donkin, Labour Staff

Women are opting out of management careers in increasing numbers, according to a report published today which shows that the trend towards their greater representation in management has been reversed in the past year.

The findings of the Institute of Management report, the largest of its kind, covering more than 20,000 individuals in 399 of Britain's leading employers, shows that the percentage of women at almost all levels of management has fallen.

Mr Roger Young, the Institute's general manager, said he was disappointed with the findings.

He said: "For years we have been delighted to record women's increasing progress at all levels of management, but now they have suffered a setback."

One reason suggested is that more women are turning their backs on corporate careers because of some of the tougher and more stressful demands of modern management regimes.

Mr Young said: "Some women could be reacting against the non-family-friendly policies of larger companies and opting to leave the stresses of corporate life for the buzz of being in control of their own companies."

"In 1993, women were twice

as likely to resign as men."

The Institute's National Management Salary Survey shows that women managers and directors in the UK's largest organisations has fallen from last year's peak of 10.2 per cent to 9.5 per cent.

It is the first time for 21 years that the proportion of women managers has fallen.

The percentage of women managers had grown steadily from just 1.8 per cent in 1974, to 3.3 per cent in 1983, 8.6 per cent in 1992 and 10.2 per cent in last year.

The report also shows that although women managers had higher salary increases than their male colleagues, women executives continue to be paid less than men.

The average woman manager now earns £27,862 a year, while the average male manager earns £32,303. At director level the average female earns £56,040, while her male colleague earns £74,987.

Women also get poorer deals in other respects. The survey found they are less likely than men to get company cars, and when aged over 50 are more likely than their male counterparts to be made redundant.

The most popular jobs for women, said the report, were personnel and marketing and the least popular were research, development, manufacturing and production.



Nazimudin Virani on his way to court at London's Old Bailey handcuffed to a prison officer yesterday

Picture: Anthony Johnson

Virani found guilty in BCCI trial

By John Mason, Law Courts Correspondent

Mr Nazimudin Virani, the former property entrepreneur, was convicted at the Old Bailey yesterday of seven counts of fraud relating to his business dealings with the collapsed Bank of Credit and Commerce International.

Mr Virani was found guilty on one count of false accounting and six of furnishing false information to BCCI auditors Price Waterhouse in order to artificially boost the bank's profits by about £11m.

Mr Virani will be sentenced on May 11. Bail was refused and he was remanded in custody. Mr Justice Hutchison warned Mr Virani that the offences he had been convicted of were sufficiently serious that a prison sentence "appears inevitable". The charges carry a maximum seven years imprisonment.

The conviction marks the third successful prosecution for the Serious Fraud Office over the BCCI scandal. Mr Syed Ali Akbar, a former head of BCCI's Treasury division, and Mr Mohammed Baqi, a for-

mer head of Attock Oil, a company owned by BCCI, have already been convicted following the SFO's investigation of the collapsed bank.

The jury also acquitted Mr Virani on single charges of conspiracy to defraud, theft and furnishing false information. It was unable to reach verdicts on four other counts of furnishing false information. These charges will not now be proceeded with.

At the heart of the fraud committed by Mr Virani was what the prosecution described as a "you scratch my back and

I'll scratch yours" relationship with Mr Mohammed Haque, head of BCCI's property division, who has since fled to Pakistan.

As BCCI's financial troubles deepened in the late 1980s, Mr Virani signed a series of bogus audit confirmations which misled the auditors and inflated the bank's profits.

In return, BCCI gave Mr Virani cash payments totalling £1.8m and played a substantial role in the expansion of Control Securities, the property company Mr Virani headed from 1986 until his arrest.



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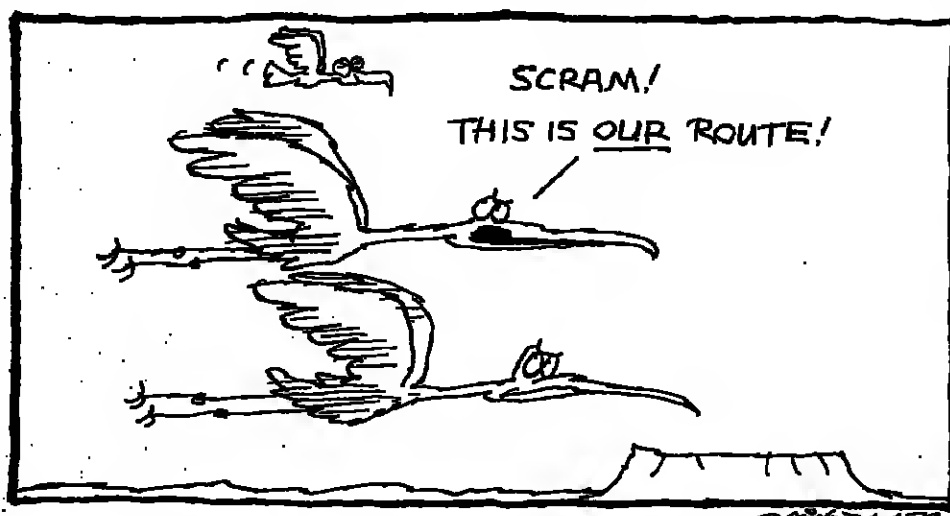
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Mark Suzman looks at the proliferation of carriers servicing routes to South Africa

A monopoly dismantled



As South Africa prepares for its first freely elected government, and memories of trade sanctions recede, growing numbers of business travellers are boarding 11-hour flights from Europe to Johannesburg.

This is of great satisfaction to airlines flying the route. The Johannesburg-London air corridor is one of the most lucrative in the world.

It is less pleasing to travellers, complaints about the cost of flying to Johannesburg are common. But while the current R9,000 (£1,670) fare for a business class return ticket from London to Johannesburg is not cheap, in real terms it used to be a lot more expensive.

Until a few years ago, air travel both to and from South Africa was a closed shop. South African Airways ran a virtual monopoly on domestic flights and, with a few selected international partners, an effective cartel on overseas routes.

Three years ago, however, the government relaxed the rules on international carriers, allowing for price competition and new entrants.

Most fares have dropped steeply, but not so precipitously as to threaten route profitability. Yet it remains slightly more expensive than some comparable longer routes, such as London to Sydney.

But shopping around for lower fares can pay off, as some discount centres offer business fares as low as R5,428. Better deals are also available through airlines such as Sabena and Air France, which often offer slightly more reasonable fares with free transfers to London. Cheapest of all are carriers such as Egyptair and Kenya Airways, although with the inconveniences of stopovers in Cairo or Nairobi.

Virgin Airways, which has been trying for several years to get a foothold in the market.

Once in Johannesburg, it is possible to take direct flights to big cities worldwide. The number of international airlines flying to and from South Africa has risen to 58 since deregulation. The rapid increase in the number of carriers is most striking in traffic with Asia, which is now serviced by four airlines in addition to SAA.

Internally, the menu of flight choices is limited. A cosy SAA monopoly, during which it routinely raised fares about 12 per cent a year, was broken up with the arrival of competitor Filestar in 1991. With some assistance from the government, Filestar eventually carved out a 30 per cent market share, largely from business travellers.

To the dismay of the flying public, however, this experiment in competition came to a sudden halt three weeks ago when Filestar folded.

Virgin still holding out

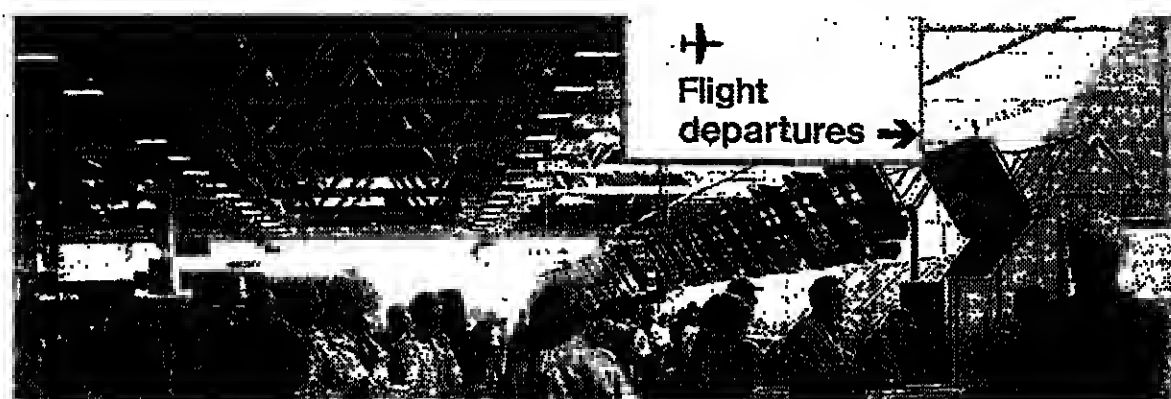
Business travellers have been promised greater competition on the London-Johannesburg route for almost three years. Mr Richard Branson's UK carrier, Virgin Atlantic, applied to compete with the present carriers in 1991. Since then he has launched a service to Hong Kong and next month starts flying to San Francisco, while Johannesburg remains just an intention, writes Daniel Green.

The London-Johannesburg route is precisely the kind of business over which Virgin likes to fight. As with Hong Kong and San Francisco, there have been two main carriers, British Airways and South African Airways, each making a lot of money. The unrestricted business class return fare can be £2,639.

Virgin blames its inability to get the suitable slots at Heathrow for the delay in starting the services. It also acknowledges that uncertainty over change in South Africa has made other routes a priority.

Shuttling into Kennedy

Daniel Green on the increase of JFK/Heathrow flights



Heathrow: the frequency of flights to New York means the route has been elevated to the status of business shuttle

From this summer, British Airways will no longer offer the most frequent service between London's Heathrow and New York's John F Kennedy airports.

Within a month, American Airlines is to increase its daily flights on the route from four to six, overtaking BA's five. Of those BA flights, only three are by standard aircraft; the others are £5,000-a-seat Concorde trips.

And within two weeks of American's move, its great rival, United Airlines, will increase its daily Heathrow-JFK flights from three to four.

Other significant carriers on the route are Virgin Atlantic, with a twice-daily service, and Kuwait Airways and Air India, with one each.

That makes 19 flights a day between the two airports. Moreover, BA and Virgin have daily flights to Newark airport, closer to Manhattan than JFK but in the neighbouring state of New Jersey.

The elevation of the Heathrow-New York route to the status of business shuttle is a result mainly of the economic recovery, say American and United.

Frequency of service appeals to business travellers more than to tourists. Business executives are more likely to fly on an airline that has a lot of flights: if the meeting goes on

an extra half hour, the executive knows there will be another flight home soon.

For United, the decision to emphasize frequency of service, rather than size of aircraft, has led them to employ one of the smallest aircraft available for such a journey. "The route consists largely of point-to-point

traffic and we decided that the best method was to use the smaller Boeing 767-200s, flying more frequently," according to a United spokesman.

United's early flight from London - at 0755 the first of the day to JFK - is especially popular among business travellers, and has tempted American to introduce

its own early flight at 0830. The business traveller is an extraordinarily lucrative customer to secure. The normal business class return fare between London and New York is about £2,200, almost 10 times the cheapest Apex economy fare. Because of the congestion at Heathrow, an airline cannot easily secure

additional take-off slots. American Airlines is, therefore, sacrificing services to tourist-type destinations, such as Los Angeles and Miami, to increase its Heathrow-JFK frequency.

American is, however, not increasing its daily flights from other European cities such as Paris, Brussels, Zurich - where economic recovery is yet to make itself strongly felt.

BA says it is unworried by the increasing competition on flights to JFK. It still considers the route "blue chip". But BA says that, since it took a stake in USAir, it has been keen to link transatlantic passengers with USAir's huge domestic network. That means it is adding flights to large USAir hub cities, such as Pittsburgh, Philadelphia, Charlotte, and Baltimore.

BA can also take some comfort from the fact that the rise in frequencies does not mean quite as sharp an increase in the number of available seats. BA flies the route with 380-seat Boeing 747s. Most of the US-owned aircraft, on the other hand, are the smaller Boeing 767s, which carry only between 164 and 214 passengers, or McDonnell Douglas MD-11s, carrying 271 people. Moreover, passengers in a hurry are also likely to factor into their choice the fact that the 767s take about 20 minutes longer than the MD-11s and 747s.

Likely weather in the leading business centres

	Tue	Wed	Thu	Fri	Sat
Tokyo	22	22	23	23	22
Hong Kong	30	27	28	28	28
London	17	17	18	19	21
Frankfurt	25	18	17	20	21
New York	21	18	19	15	19
L. Angeles	20	23	19	21	23
Moscow	21	24	22	22	23
Paris	24	17	17	19	21
Zurich	24	18	19	18	19

Maximum temperatures in Celsius. Information supplied by Meteo Consult of the Netherlands

French skies are opened up

The European Commission's ruling last Wednesday that France must allow competition on several routes from Orly airport to the south of France

raises the prospect of more convenient, and cheaper, travel to French destinations. The Commission said that France must immediately open a route from London Heathrow to Orly and must allow TAT European airlines - 49 per cent owned by British Airways - to compete with Air Inter, Air France's domestic subsidiary, on the Orly-Toulouse and Orly-Marseille routes after a six-month grace period.

British Airways hopes to start services between Heathrow and Orly in June. Since most domestic French flights operate from Orly, it would provide access to a valuable hub for French holiday and business destinations.

UK is best

The UK has the best facilities for business travellers of any European country and Italy has the worst, according to a poll carried out by Mori for Thomas Cook.

The poll of purchasers of travel services in 281 companies in eight European countries found 13 per cent



thought the UK had the best facilities, followed by Germany on 10 per cent and Switzerland on 6 per cent. Nine per cent mentioned Italy as having the worst facilities.

Mailbox

In May AT&T launches what it claims is the first international mailbox service for travellers wanting a 24-hour base for receiving and sending messages and faxes wherever they may be.

The US operator's new service, called WorldPlus, gives subscribers a mailbox and service centre accessed via touch-tone or voice-response.

In addition to storing and replaying messages, WorldPlus allows users to reply to the number from which a message has been received at the flick of a button, and to send multiple messages and faxes as instructed. Subscribers pay £50 a year standing charge, then pay for services on a usage basis. The charge for messages and faxes is flat-rate.

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telex: (48 22) 628 45 28
fax: (48 22) 625 45 86

At: Mr Radosław Witaszcza
Mr Marek Kania

The Information Memorandum will be made available (sent) to the interested parties upon receipt of a signed confidentiality agreement.

In accordance with the terms as specified in the Information Memorandum, the deadline for submitting offers for the purchase of shares in the Company is 28 May 1994, 4.00 p.m.

The Minister of Privatisation retains the right to deem the offer null and void and to renounce the negotiations with no expressed reason.

LONDON CHEMICAL A CHEMOL LTD company

LONDON CHEMICAL COMPANY LIMITED of Craven House Kingsway London would like to make it known that there is NO ASSOCIATION with the London Chemical Company (the trade name of DELTA COATINGS LTD) of Leighton Buzzard, who are currently in receivership.

We are a successful £25 Million turnover company specialising in the supply of Fertilisers, Rubber Products, Plastic Raw Materials, Plastic Semi-Finished Products, Plant Protection Chemicals and Organic and Inorganic Chemicals.

For further details please contact the Marketing Manager at the above address.

FOR SALE

Successful owner of group of three successful service companies (interior plant displays, grounds maintenance, and contract cleaning) wishes to sell operations to retire. Joint turnover £1.5 million

Reply to Box B2796, Financial Times, One Southwark Bridge, London SE1 9HL. NO TIME WASTERS PLEASE

PRECISION MACHINE SHOP & TOOL MAKING FACILITY AVAILABLE FOR SALE OR MERGER

West Midlands based non-core activity to present owner. Interested parties please reply to Box B2798 Financial Times, One Southwark Bridge, London SE1 9HL.

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The Joint Administrative Receivers offer for sale the business and assets of Super London Wash Ltd which comprises:

- 75 year old well established business
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All enquiries to WJH Elles, Joint Administrative Receiver, Ernst & Young, Beckett House, 1 Lambeth Palace Road, London SE1 7EU.
Tel: 071-931 4061. Fax: 071-928 0425.

ERNST & YOUNG

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Write to Box B2792, Financial Times, One Southwark Bridge, London SE1 9HL.

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Box B2793, Financial Times, One Southwark Bridge, London SE1 9HL.

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May suit Russian national seeking to establish business in U.K. Agents retained.

Apply to Box B2786, Financial Times, One Southwark Bridge, London SE1 9HL.

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Small exclusive internationally recommended Hotel and Restaurant for sale due to retirement. Good food guide, Egon Ronay etc. In western tourist area. Excellent set turnover. Very valuable freehold. £750,000 ONO. Lending considered. Principals only write to Box B2785, Financial Times, One Southwark Bridge, London SE1 9HL.

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Division of international company wishes to dispose of IPR, customer base and maintenance contracts of established IBM information oriented product. Mainframe - AS/400 Rabin. Contact GMA, Pilgrim House, Canute Road, Southampton SO14 3FL. Tel: 0703 334634 Fax: 0703 335044 for more details

IT ACQUISITIONS SPECIALISTS

LEGAL NOTICES

IN THE HIGH COURT OF THE REPUBLIC OF SINGAPORE

IN THE MATTER OF RMCA REINSURANCE LIMITED

and

IN THE MATTER OF SECTIONS 210 AND 211 OF THE SINGAPORE COMPANIES ACT (CHAPTER 34: 1990 REVISED EDITION)

and

IN THE MATTER OF THE SINGAPORE COMPANIES ACT

and

IN THE HIGH COURT OF JUSTICE OF ENGLAND AND WALES, CHANCERY DIVISION

In the matter of RMCA REINSURANCE LIMITED

and

IN THE MATTER OF THE COMPANIES ACT 1985

At meetings held on 10 December 1993 in Singapore and on 14 December 1993 in London the Scheme of Arrangement ("the Scheme") between RMCA Reinsurance Limited (hereinafter called "the Company") and its Scheme Creditors (as defined in the Scheme) was approved by the Scheme Creditors.

On 29 March 1994 the High Court of the Republic of Singapore and on 22 April 1994 the High Court of Justice of England and Wales (hereinafter called "the Courts") sanctioned the Scheme as approved by the Scheme Creditors.

On 23 and 26 April 1994 the Orders made in the Courts sanctioning the Scheme were delivered to the Registrar of Companies in Singapore and England and Wales respectively.

The Effective Date of the Scheme is 26 April 1994.

Philip John Singer and Christopher John Hughes partners of Coopers & Lybrand were appointed Joint Scheme Administrators on 26 April 1994.

Claims against the Company under contracts of assurance (or otherwise) should be submitted to the Joint Scheme Administrators at the following address:

RMCA Reinsurance Ltd, 177 Cecil Street, #13-00 ICS Building, Singapore 0106.

Dated this 27 day of April 1994.

ORIGINATING PETITION NO 26 OF 1994

IN THE MATTER OF RMCA REINSURANCE LIMITED

and

IN THE MATTER OF SECTIONS 210 AND 211 OF THE SINGAPORE COMPANIES ACT (CHAPTER 34: 1990 REVISED EDITION)

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IN THE MATTER OF THE SINGAPORE COMPANIES ACT

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IN THE HIGH COURT OF JUSTICE OF ENGLAND AND WALES, CHANCERY DIVISION

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Claims against the Company under contracts of insurance (or otherwise) should be submitted to the Joint Scheme Administrators at the following address:

RMCA Reinsurance Ltd, 177 Cecil Street, #13-00 ICS Building, Singapore 0106.

Dated this 27 day of April 1994.

IN THE HIGH COURT OF THE REPUBLIC OF SINGAPORE

IN THE MATTER OF ICS REINSURANCE PRIVATE LIMITED

and

IN THE MATTER OF SECTIONS 210 AND 211 OF THE SINGAPORE COMPANIES ACT (CHAPTER 34: 1990 REVISED EDITION)

and

IN THE MATTER OF THE SINGAPORE COMPANIES ACT

and

IN THE HIGH COURT OF JUSTICE OF ENGLAND AND WALES, CHANCERY DIVISION

In the matter of ICS REINSURANCE PRIVATE LIMITED

and

IN THE MATTER OF THE COMPANIES ACT 1985

At meetings held on 10 December 1993 in Singapore and on 14 December 1993 in London the Scheme of Arrangement ("the Scheme") between ICS Reinsurance Private Limited (hereinafter called "the Company") and its Scheme Creditors (as defined in the Scheme) was approved by the Scheme Creditors.

On 29 March 1994 the High Court of the Republic of Singapore and on 22 April 1994 the High Court of Justice of England and Wales (hereinafter called "the Courts") sanctioned the Scheme as approved by the Scheme Creditors.

On 23 and 26 April 1994 the Orders made in the Courts sanctioning the Scheme were delivered to the Registrar of Companies in Singapore and England and Wales respectively.

The Effective Date of the Scheme is 26 April 1994.

Philip John Singer and Christopher John Hughes partners of Coopers & Lybrand were appointed Joint Scheme Administrators on 26 April 1994.

Claims against the Company under contracts of insurance (or otherwise) should be submitted to the Joint Scheme Administrators at the following address:

ICS Reinsurance (Pvt) Ltd, 177 Cecil Street, #13-00 ICS Building, Singapore 0106.

Dated this 27 day of April 1994.

For an editorial synopsis and information on advertising opportunities please contact MELANIE MILES on Tel: 071 873 4874 Fax: 071 873 3064

FT Surveys

The Financial Times plans to publish a Survey on

International Taxation

on Friday May 20.

The survey will review the taxation system worldwide and examine the challenges it will face in 1994 and the implications for the international business community. The survey will reach an estimated international readership of 1 million.

For an editorial synopsis and information on advertising opportunities please contact MELANIE MILES on Tel: 071 873 4874 Fax: 071 873 3064

THE People page

Gambling with the big prize

David White examines the record of Banco Santander's Emilio Botín, the victor in the contest for control of Banesto

Emilio Botín almost missed the boat. On the night the chairman of Banco Santander won the bidding to take control of Banco Español de Crédito (Banesto) from Spain's "bank hospital", the Deposit Guarantee Fund, he forgot to sign the crucial bid document. The announcement of the verdict on Spain's biggest takeover was held up by an agonising extra hour.

The runner-up in the auction, Banco Bilbao Vizcaya, considered using the omission to challenge the decision on technical grounds.

It had reason to be peeved. Not only had it been thwarted in its long-time ambition to become the dominant force in Spanish banking, it also faced the prospect of losing high-flying executives, on temporary loan to Banesto during the rescue operation, who would now be poached by the new owner.

Overnight the 59-year-old Botín has become Spain's top banker. The combined group, according to its own calculations, ranks number 23 in Europe and 45 in the world in total assets.

But Banco Santander's \$20n investment in Banesto is a big bite. With a branch network two and a half times as big as Banco Santander's, Banesto was for many years the country's biggest financial institution, the archetypal establishment bank of the Franco regime, remaining staid, stuffy and impenetrable for years afterwards.

In its most recent phase, with a jaunty new logo and an aggressive lending policy, it got itself into deep trouble. A \$3.7bn rescue operation was required to put the mammoth back on its feet. While Banco Santander has already divested almost all its industrial shareholdings, Banesto still has a mish-mash of interests to be got rid of before it becomes an orthodox commercial bank.

For Botín, the acquisition marks a change of approach. At the end of the 1980s, while other leading Spanish banks sought mergers as the most obvious means of bringing themselves more into line with the dimensions of big banks in other European countries, Botín stood aloof, preferring to build up Santander's own business.

Far from being a buyer, he sold off smaller "second brand" banks belonging to the group. But he is believed to have had eyes on Banesto for some time. And he clearly saw the auction of the restructured bank as a chance he could not refuse.

"We have spent years storing up capital to be able to take advantage of opportunities, peseta by peseta, patiently, prudently" - which is how he believes things should be done in banking.

In Spanish, there are two words for banker. A "bancario" is someone who works in banking. A "banquero" is someone who runs a bank. Botín - full name Emilio Botín-Sanz de Sautuola y García de los Ríos - was born a "banquero".

The family pedigree is unique in Spanish banking. His grandfather Emilio Botín was the first permanent chairman of the bank, which had been set up in Santander in the 1880s to finance transatlantic trade flowing through the northern Spanish port. His father, also Emilio Botín, who took over when it was still very much a provincial bank, oversaw its expansion further afield during a 36-year reign as chairman.

The statue to him in the bank's headquarters on the Santander waterfront was erected by grateful shareholders long before he was ready to leave the job. Until his death last year, the father was still referred to as Don Emilio. The new chairman continued to be known as "the son".

After studying law and economics at Valladolid and the Jesuit Deusto university in Bilbao, he joined the bank at 24, working at a local branch. But two

years later he was already a director. When his father finally made way for him in 1986 he set about strengthening the bank's balance sheet, bolstering its provisions against loan risks - especially in Latin America - and widening its customer base.

A pioneer in offering interest-bearing "super-accounts", Banco Santander moved up from fifth or sixth place among the country's private commercial banks to number three.

It became a shareholder of Royal Bank of Scotland and First Fidelity in the US and built up an international reputation for innovation - in fields such as telephone banking - and the dynamism of its merchant banking arm, recently renamed Santander Investment.

So why this move? The way it was going, in Botín's view, the group would soon have been predominantly geared to foreign business - already accounting for more than 40 per cent of its profits - and investment banking. It needed to redress the balance by increasing its weight in the Spanish market. Banesto, in many backwoods areas of Spain the only bank in town, would do the trick.

Some people in Banco Santander harbour private qualms about the challenge the group has taken on, and about the price it is paying. But Botín claims the price is "absolutely reasonable" and shrugs off the negative impact the deal has had on Banco Santander's own shares.

In a bank otherwise noted for its transparency, the degree of family control is a mystery. Little is known about the full extent of the family fortune. According to its annual report, the combined shareholdings of the family foundation, which is the largest institutional shareholder, and Botín on the board - including brother Jaime, who heads the associated Bankinter - come to less than 3.5 per cent. But nobody has any doubt about who runs the bank.

Two of Botín's six children are directors - Ana Patricia, 33, and the next Emilio Botín, 30. Either could be in line for the succession.

The family's discretion is legendary. Botín's wife is a concert pianist, Paloma O'Shea, but otherwise little is known about his private life except that he travels a lot and plays golf when he finds time. According to one person in the bank's inner circle, "nobody gets close to Botín".

In Santander neither the family nor the bank needs to advertise their presence; it is pervasive. However, if one were to ask in the world at large who was Santander's most famous living son, the answer might not be Botín but the golfer Severiano Ballesteros. But then Botín is Ballesteros' father-in-law.

When he was promoted to the chairmanship of the bank 7½ years ago, with a solid record as managing director but still very much in the shadow of Don Emilio the father, other bankers in Madrid reserved their judgment on how he would prove himself in the position. "Now they know," said a colleague at the bank last week.



Personae

Bergougnoux to run a railway

Having helped restore financial health to Electricité de France, the state energy utility, Jean Bergougnoux is to take up a similarly formidable challenge at SNCF, the French national railway system, writes John Ridding.

Jacques Fourrier, SNCF's current chairman, will step down after the opening of the Channel Tunnel, at the age of 65. The government has picked Bergougnoux, managing director of EDF since 1987, to step into his shoes.

Bergougnoux, 54, is an engineering graduate of the prestigious Ecole Polytechnique. He has built his career in the public sector and in particular at EDF, which

he joined in 1970, earning a reputation as a skilful manager in both labour relations and financial affairs.

Number two to Gilles Ménage, chairman of EDF, Bergougnoux has for the past seven years been responsible for the day-to-day running of the company. He played a significant role in returning the group to profit at the end of the 1980s and reducing debt which, at FF213bn in 1984, was equivalent to 27 per cent of sales.

His new task is equally daunting. The principal challenge facing Bergougnoux lies in the financial situation of the railway company; last year it suffered losses of FF7.71bn and a rise in its

debts to more than FF150bn. The new SNCF head must also try to win back passengers disenchanted by a series of marketing and technical blunders. Socrates, the computerised reservation system, was afflicted by technical problems following its introduction at the beginning of last year and contributed, along with recession, to an 8 per cent fall in passenger traffic.

Labour relations at SNCF are also delicate. Fourrier's attempts to increase efficiency by establishing separate divisions and more decentralised management have yielded positive results but have also drawn strikes and stoppages by workers.

Happy time for Keehn to step down

Silas Keehn (right), tall, and much more youthful looking than his 64 years, is stepping down as President of Chicago's Federal Reserve Bank with the same kind of statesmanship that characterises the 13 years he has spent ministering to the financial health of America's heartland, writes Laurie Morse. "This seems a very good time for a transition," Keehn says. "Happily, things are going right. Bank reserves are adequate (after a difficult period in 1990 and 1991) and the economy is doing well, particularly in the Midwest."

The Chicago Fed's voice in US monetary policy, in the form of a vote on the Federal Open Market Committee, rotates every other year with the Cleveland Reserve Bank. Thus, Keehn says, if his successor is appointed this summer, the new appointee will have time to get to know the system before Chicago gets the vote again in 1995.

With Keehn's departure, the Fed will lose a monetary policy moderate. While circumspect in his public pronouncements, Keehn has a reputation for keeping a balanced view of the trade-offs between inflation and economic growth. Having spent 23 years at Pittsburgh's Mellon Bank before joining the Fed, Keehn has a banker's view of policy.

The Chicago Reserve Bank,



one of 12 nationwide, serves Illinois, Iowa, Indiana, Michigan, and Wisconsin, an area that encompasses an unusual mix of agriculture, manufacturing, and financial services.

Keehn's successor will be appointed by the board of directors of the Chicago Federal Reserve Bank, which has organised a search committee. Although the search is expected to take several months, James Annable, chief economist at First National Bank of Chicago, is thought to top the list of potential candidates.

Pannonplast's Feher ahead of the pack

Eastern Europe's communist economies produced few great managers, writes Nicholas Denton. Nor, despite official lip service to sexual equality, did the former Soviet bloc allow many women to rise to the top in business. But there are exceptions, and Erzsébet Feher, managing director of Hungarian plastics group

Pannonplast, is one. Under her leadership, Pannonplast was an east bloc pioneer in the 1980s: it took up World Bank credits and set up joint ventures with western manufacturers. And this week the company completes its privatisation: FF1.60bn (\$18n) worth of Pannonplast shares are on offer to foreign institutional investors and the Hungarian public. "She's always been ahead of the pack," says an investment banker who has worked closely with her.

While westerners often make a hobby of complaining about Hungarian managers, they swoon before Feher. Advisers break off from moaning about the tedious and uselessness of meetings in Hungary to marvel about the amount of ground they can cover with Feher.

Feher finds the acclaim all rather embarrassing. A genuinely modest person, she is far happier talking about her company than herself. Pressed to reveal what makes her tick, Feher reluctantly ventures her sporting background. Now 58, she played ping-pong for Hungary's national youth team and says it may have inculcated discipline and a fighting spirit.

She is less proud of her gender. Indeed, Feher seems to agree with Hungarian male attitudes towards businesswomen: they can be petty, she says, and poor at seeing the big picture. But it only takes a meeting or two, Feher says, before male negotiating partners see that she is not like that.

New Issue May 1994
Land Niedersachsen



6.75% Bonds of the State of Lower Saxony 1994 (2004)

- Security Identification No. 159 072 -

The State of Lower Saxony (Land Niedersachsen), Germany, is launching a bond issue, which is offered by tender through the Deutsche Bundesbank

Aggregate Principal Amount: To be determined according to the result of the public tender.

I. Features of the bonds

Par values: DM 1,000 or an integral multiple thereof.

Interest: Interest at the rate of 6.75% will be payable yearly in arrears on April 15, commencing on April 15, 1995. Interest accrued is based on the date of payment. The issue shall cease to bear interest as of the end of the day preceding the day on which it becomes due for redemption. This is also valid in case that the payment is effected according to section 193 of the Civil Code.

Maturity: 10 years. The bonds will be repaid at their face value on April 15, 2004. The bonds may not be recalled before maturity.

Trust eligibility: Pursuant to section 1807 (1) 2 of the Civil Code.

Eligibility for investment in premium reserve stock: The bonds are eligible as collateral for investment in premium reserve stock pursuant to section 54a (2) 4 of the Act concerning the supervision of insurance enterprises.

Eligibility for central bank refinancing: The bonds are eligible as collateral for lombard loans pursuant to section 19 (1) 3d of the Deutsche Bundesbank Act and eligible for securities repurchase agreements.

Stock exchange listing: The bonds will be admitted to official trading on the stock exchanges in Hannover and Frankfurt/Main on Monday, May 9, 1994.

Market regulation: The Deutsche Bundesbank will regulate the market for account of the issuer.

Delivery: The total amount of the bonds will be evidenced in the form of shares in a Global Debt Register Claim (Sammelschuldbuchforderung) registered in the name of the Deutscher Kassenverein AG, in the Debt Register of the State of Lower Saxony (Landesschuldbuch Niedersachsen). No registration of partial amounts of the Global Debt Register Claim in the name of a specific creditor - Single Debt Register Claim - (Einzelschuldbuchforderung) - will be made.

The receipt of physical securities is not possible during the entire period to maturity.

The bidders will receive shares in collective securities accounts (Wertrechte). They will be delivered by the Land Central Bank - Main Office of the Deutsche Bundesbank - Hannover according to the instructions of the bidder.

Payments: Principal and interest shall be paid, as and when due, to the respective accounts of the depositors with the Kassenverein. Payments by the issuer due to investors without a Land Central Bank giro account will be passed to the latter's accounts with credit institutions.

II. Procedure of tender

Range of eligible bidders: Credit institutions and non-banks which hold a Land Central Bank giro account may participate in the tender direct. Other domestic and foreign prospective buyers may submit their bids indirectly through a domestic credit institution; in this case, contractual relationships will arise only between these indirect bidders and the credit institution acting as their intermediary.

Insurance companies, pension funds, investment funds and other institutional investors without a Central Bank giro account, and private investors should contact their credit institutions.

Bidding deadline: For domestic banks, and non-banks which hold a Land Central Bank giro account: 11:00 a.m. on Wednesday, May 4, 1994. Other potential buyers should contact a domestic credit institution well in advance.

Bidding: Bids can be considered only if they have been submitted (informally in writing, by telex or telefax) to the appropriate office of the Deutsche Bundesbank - Land Central Bank (Landeszentralbank) - where the giro account is held.

Bids: Quotation of the desired par value and of the price, as a percentage of the par value, at which the

bidder is prepared to buy the bonds. Bids must be for full 0.01 percentage points. Non-competitive bids or submission of several bids at different prices are possible. No yield bids will be considered.

Minimum denomination: DM 5,000.00 or an integral multiple thereof.

Allotment: Immediately but not later than 9:00 a.m. on Thursday, May 5, 1994 by the Landeszentralbank - Hauptverwaltung der Deutschen Bundesbank - Hannover, Georgplatz 5, D-30159 Hannover, Germany (Land Central Bank - Main Office of the Deutsche Bundesbank - Hannover).

Bids are allotted at the price specified in the bid concerned ("US-style tender procedure"). Non-competitive bids are filled at the weighted average price of the bids accepted. The Bundesbank reserves the right to scale down bids quoting the lowest accepted price and non-competitive bids. If bids are scaled down, at least DM 1,000.00 per bid concerned will be allotted.

The issuer reserves the right to increase the allotted overall amount of the issue for the purposes of market regulation.

Date on which the amounts allotted will be debited to bidders' accounts: For domestic banks, and non-banks bidding direct: not later than 11:30 a.m. on Friday, May 6, 1994. The equivalent will be debited to the Land Central Bank giro accounts. Timely remittance of cover is required. For potential buyers submitting bids through banks, the arrangements made with their credit institutions will apply.

Miscellaneous: Unless otherwise provided elsewhere in this invitation to tender, the "General terms and conditions for the sale of Federal bonds by tender" of the Deutsche Bundesbank will apply.

Hannover, May 1994

Land Niedersachsen
represented by
Niedersächsisches Finanzministerium

Deutsche Bundesbank
represented by
Landeszentralbank in der
Freien Hansestadt Bremen,
in Niedersachsen und Sachsen-Anhalt

Paris goes Dutch

William Packer visits an exhibition of 20th century art from the Low Countries

La beauté exacte is hardly an exact title for what is yet a fascinating exhibition full of beautiful and exciting things. Its subtitle, from Van Gogh to Mondrian, gives something rather more of its scope, but there again the inference is misleading, partial, imprecise. Van Gogh indeed is there, but only as a presiding and iconic figure, represented solely in a self-portrait, in a grey hat, of 1887. And in a show that is one of a pair specifically addressed to the art of the Low Countries in the 20th century, Van Gogh's presence itself is somewhat equivocal.

Certainly there are formal connections to the other artists to be made, if only in the general foreshadowing of expressionism - the clarity and intensity of the colour, the staccato energy of the brushstrokes, with each

later. It is this duality, given the apparent precise simplicity of the exhibition's title, that comes as the surprise.

That said, it is Mondrian who remains the central figure and hero of the show. While Toorop veers sharply off at a tangent into bizarre fin-de-siècle graphic symbolism, Mondrian stays with the landscape of sea and dune, tree and church tower, that grows ever more simple and rarefied while losing nothing of its mystical, symbolic charge. Such mystical significance remained as the informing justification of all he did, no matter that by the mid-1910s, under the obscure philosophies of neo-plasticity, his painting had moved away from anything even remotely representational in its reference - nothing more than lines and grids and squares of colour. The magnificent sequence of paintings and drawings in the first main room, that takes us from the trees and canals of around 1900 through the sea and dunescape to the fragmented, quasi-cubist trees and towers of around 1913, is alone worth the visit. With the rational, abstract developments of his next 30 years to follow in the later rooms, set into the context of the work of the *de Stijl* group in general and such as Bart van der Leek and Theo van Doesburg in particular, the show is irresistible.

But between *de Stijl* constructivism in its origins and later pomp comes a quite separate body of work, and with it the show's greatest surprise. For here, as complement and counterpoint to Mondrian and his associates, are those Dutch realists of the 1920s and 1930s, colleagues at a remove of the Neue Sachlichkeit in Germany in particular, and realist contemporaries everywhere, with their peculiarly heightened and febrile, all but surreal, clarity of image, and their uncompromising honesty. We are back at once to Van Gogh in his self-image at the show's beginning, and it is hardly by chance that each painter of this later group is represented by self-portrait after self-portrait, rows of them.

All are remarkable artists, and their still comparative obscurity merely confirms the rule that even in our supposedly international age, national schools of art, not just in England but everywhere, remain too much the province of a merely national, even



Fine artists such as Jan Mankes, here in 'Self-portrait with owl' (1911), deserve a wider stage

parochial interest. Dick Ket, Pyke Koch and Jan Mankes are fine painters by any measure, their work beautifully made, intense in feeling and property of its time. They are long overdue their place on a wider critical stage. But most remarkable of them

all is Charley Toorop, daughter of Jan Toorop and an English mother, Annie Hall. Her sequence of self-portraits, some of monumental scale and as strong and simple in the statement as in the vision, surely mark her out as one of the most important, albeit

hardly rated, female artists of her time.

'La beauté exacte: de van Gogh à Mondrian', Musée d'Art moderne de la Ville de Paris, 11 avenue du Président-Wilson, Paris 16, until July 17.

Concerts

Twenty years of Capricorn

The Capricorn ensemble has celebrated the end of its second decade with three concerts in the Purcell Room and in St. Giles, Cripplegate, pardonably recalling some of its most successful commissions. This excellent team has been assiduous in seeking out new, seriously original music, placing fresh commissions in promising hands, and meanwhile cultivating older styles well enough to fill historical gaps in the CD repertoire with distinction and profit. In short, it is a Good Thing with a solid track record, though the live audiences last week were keen but small.

The label 'Capricorn' names a fluid personnel. Some of the performers we heard on Tuesday and Saturday were too young to have been in at the start. For its adventurous repertoire, anyhow, Capricorn has to field such variously constituted little bands that it has only a few 'core' members to fix its identity. Perhaps the longest-serving souls, and certainly the dominant musicians, are the clarinet, cello and piano (Anthony Lamb, Timothy Mason, Catherine Edwards) - three-quarters of what Messiaen required for his *Quatuor pour la fin du temps*, which prompted the formation of Capricorn in the first place.

Among the Capricorn commissions here, going back to 1986, were Edgard Varèse's wind-and-strings Sextet, coolly and intricately contrapuntal in strictly equal voices, none standing out; and James Ellis's quizzical, picturesque *Mountain Steps*, of which we heard just three-fifths - it has been 'fundamentally recomposed' but not finished yet.

For *The Nervous Saurian*, inspired by a Danish science-fiction novel about wise lizards, Anders Nordenfalk made imaginative use of the same trio - the 'core' players - as Nigel Osborne's new *Sarajevo*, a heartfelt letter of condolence which sticks to time-honoured modes of registering grave feeling.

Neither of those had the kick of Gerald Barry's rumbustious Piano Quartet, which Capricorn premiered in 1992. 'Wholly concerned with melody,' Barry claims; in fact it is a furious confection of slightly out-of-synch folk music echoes, presumably Irish, insistently lively, with a forceful surge. By comparison, Birtwistle's Clarinet Quintet sounded scrupulously worked out but staid. Magnus Lindberg's recent Quintet charged the same ensemble with continuous palpable energy, brilliantly engineered and calculated as it is. The unashamed star is the clarinet, manically fluent in generating fresh ideas, leaving the strings to pick up the pieces and reassemble them elegantly.

Each Capricorn concert set itself a high standard by starting with one of Elliott Carter's recent *homages* to friends and colleagues. I heard the 1984 *Ricomposizione* for violin (Rebecca Hirsch) and the 1990 *Jon Jägermann* for the 'core' trio here, and marvelled again at the lucid density Carter achieves for every passing event. Within a few minutes we get a whole, cogent epic, each laconic episode stamped with speaking character such as only a past-master can contrive.

David Murray

Native Czech

While Prague's two opera companies show waning enthusiasm for the native repertoire, there is still plenty of Czech music to be heard in the city's lovely concert halls, much of it little known in the West. Two recent programmes found the Czech Philharmonic Orchestra tackling works by Vítězslav Novák and the Prague Symphony accompanying a mass by Ilja Hurník (1922). Both were well attended and warmly received by local concert-goers, suggesting that the tourist market does not yet have a monopoly on all cultural life in the Czech capital.

The most rewarding discovery was Hurník's *Missa Vinea Crucis*, premiered two years ago with organ accompaniment. Hurník's music is well established in the Czech Republic and deserves a wider reputation. The Mass is a total work, clean-textured and full of subtle harmonic modulations, drawing its inspiration from Hurník's north Moravian folk roots and the Janáček-Martinu tradition, rather than the glum postwar school of Czech modernism.

The opening Kyrie, a pure pastoral air, sets an optimistic tone. The Gloria, Credo and Sanctus include spiky interjections for chamber orchestra (no brass), while the Agnus captures some of the otherworldly atmosphere of Messiaen's *L'Ascension*. The final Deo gratias has a lively rhythmic pull. The 80-strong Permonik Children's Chorus, which commissioned the work, without blemish, but could have added more bite. This luxurious opener to the Prague Symphony Orchestra's concert in the Smetana Hall was followed by an inspired account of Shostakovich's First Cello Concerto by Frans Helmerson and Debussy's *La Mer*. Martin Turnovsky conducted all three with idiomatic flair.

Hurník was one of the many composition pupils of Vítězslav Novák (1870-1949), whose own music has been well represented in the Czech Philharmonic's programmes this season. I heard the song cycle *Valley of the New Kingdom* for baritone and orchestra (1903), based on a text by Antonín Sovka. It is infused with Impressionist touches, late Romantic colours and lyrical poetry, and it could have made a kind of Czech *Sea Pictures*, if the four songs had not been so short - a mere 13 minutes. The music found a heroic upper extension in Ivan Kusanjer's lusty voice. Oliver Dohnányi, making his Czech Philharmonic debut in the Dvorák Hall, conducted a robust account of Vítězslav's D major Symphony, and ended the programme with Dvorák's *Symphonic Variations*, infused with all the tonal bloom and beauty for which Czech orchestras are renowned.

Andrew Clark

The American obsession with 'otherness' was on prominent display at the recent 18th annual Humana Festival of New American Plays. Nearly all the festival's 10 plays, presented at the Actors' Theatre of Louisville, spun off of some socio-political issue - lesbian and gay issues being the most common concern. A tone of politically correct sanctimony was averted by the high overall artistic standards. While the festival lacked an outstanding success - Tony Kushner's *Silence*, expected to fill that bill, proved a disappointment - the general quality of the plays and the adventurousness of the programming were an advance on previous festivals.

Silence (Thinking about the Longstanding Problems of Virtue and Happiness), is Kushner's first play since the international success of his Pulitzer Prize-winning epic *Angels in America*. The new play partly comprises scenes cut from *Perestroika*, *Angels*' second half. While full of freshly comic scenarios and his trademark dazzling flights of prose, *Silence* is more a disjointed grab-bag of scenes than a fully realised play. Its first scenes, schick-laden sketches in which ageing apparatchiks literally politic themselves to death, are funny

New plays of lesbian love

Karen Fricker reviews the Humana festival in Louisville

but forgettable. The play's real interest kicks in when we meet Katherine (Kate Goehring), an idealist cursing her way through a functionary's job, and her lover Bonita (Mary Schultz), a paediatric oncologist. Exiled to Siberia, Bonita encounters an outbreak of radiation sickness and in the play's most effective, final scenes, we follow a young victim to heaven.

Kushner's engagement in these last scenes is clear, but his earnestness mingles uneasily with the broadly comic tone of the play's first half. Lisa Peterson directs with pace and a flair for the broadly theatrical gesture, but the production is hindered by weak acting among the older male performers. Schultz and Goehring, however, are first-rate.

Kushner's play was performed in a double bill with *Tripp's Clinic* by Thylis Nassy, an American playwright living in London whose *Butterfly Kiss* recently premiered at the Almeida. *Tripp's Clinic* is similar in tone and theme to David Mamet's *Oleanna* and

inspired by the William Kennedy Smith and Mike Tyson date rape cases. Plays such as this, and the issues they are meant to inform, are fuelled by ambiguity, but Nagy's drama lays it on too thick. With so few clues given to the audience about how to interpret the events on stage, our reaction is less prurient fascination than indifference.

The festival's most effective production, Wendy Hammond's *Julie Johnson*, is impressive less for any innovations in theatrical form than for the freshness of Hammond's voice and a remarkable performance by Lily Knight as the title character, a working-class wife and mother who decides she 'doesn't want to be stupid no more'.

She kicks out her husband, enrolls in night classes, and discovers a passion for computers and for her best friend, a coffee shop waitress. The dilemma the women face in reconciling their new-found sexual identity with the restrictive standards of their

community is compelling and, eventually, moving.

For all its emotional credibility, *Julie Johnson* never departs from the formulaic structure of a television movie-of-the-week, a weakness which director Jon Jory counteracts with an aggressively theatrical production - black-garbed stagehands move pieces of scenery on and off stage; rock music blares during set changes.

Humana's annual presentation of 10-minute plays, a disappointment at past festivals, found life in the genre this year. Jane Anderson's *The Last Time We Saw Her* is a little bombshell of precise naturalism. A young businesswoman tells her boss that she is gay and that she wants her co-workers to know about it. The ensuing conversation turns quietly ugly, but just who is in the wrong?

Susan Miller's *My Left Breast* is a part-confessional, part-inspirational autobiographical monologue covering Miller's breast cancer and a difficult break-up with a female lover. While

Miller's good humour and bravery are remarkable - there are few women around, for better or worse, who would be willing to expose a mastectomy scar to a roomful of strangers - her message, that we must bear the good with the bad, is hardly new.

The festival's most stylistically adventurous offering was 1963, a collaboration between director/writer Tina Landau and seven young performers. A collage of songs, dialogue, speeches, and movement, 1963 is an attempt to evoke both the universal pains and rewards of growing up, and to capture the mood of the late 1960s in middle America. Landau directs and the cast performs with precision and passion, but the plot is too predictable - nerdy high school senior realises he's gay and runs off to an idealised New York - and the writing seldom rises above the banal.

High production values are among the Humana Festival's traditional pleasures; set designer Paul Owen, who has designed nearly every play in festival history, is an unsung genius of American theatre. Another of the Festival's delights is its community spirit - a relief for the faded big city theatregoer and a reminder of the values that inspired the regional theatre movement and keep it alive.

INTERNATIONAL ARTS GUIDE

ANTWERP

De Vlaamse Opera Sun: Stefan Soltesz conducts first night of Willy Decker's production of Billy Budd, with cast headed by Michael Kraus, Nigel Robson and Gidon Saks. Repeated May 10, 12 and 14 in Antwerp and May 20, 22 and 27 in Ghent (03-233 6685)

AMSTERDAM

Concertgebouw Tonight: Mikhail Pletnev conducts Russian National Orchestra in works by Tchaikovsky, Scriabin and Rakhmaninov. Tonight (Kleine Zaal): Felicity Lott song recital. Fri: Jean Fournet conducts Royal Concertgebouw Orchestra in Debussy, Tchaikovsky and Bartók. Sat morning: Sarah Walker song recital. Sat, Sun, next Tues: Philippe Entremont conducts Netherlands Chamber Orchestra in Mozart, Ibert and Saint-Saëns, with piano soloist Stefan Vadar. 24-hour information service 020-675 4411 ticket reservations 020-671 8345 Muziektheater Tonight: Edo de Waart conducts final performance

of Harry Kupfer's production of Salome, with Josephine Barstow and John Brochelet. Tomorrow, Thurs: Gulbenkian Ballet mixed bill. Fri, next Mon (in repertory till May 22): Peter Schat's new opera *Symposium*, conducted by Hans Vonk and staged by Ian Strasfogel. Sat, Sun, next Tues: Sankai Juku presents Yuragi, play by Ushio Amagatsu (020-625 5455)

BRUSSELS

Palais des Beaux Arts Tonight: Hans Graf conducts Belgian National Orchestra in works by Mozart and Haydn, with cello soloist Matt Haimovitz. Fri: Muhai Tang conducts Royal Flanders Philharmonic Orchestra in Grieg, Nielsen and Sibelius, with clarinet soloist Walter Boeykens. Sat (Conservatoire): Liya Zilberstein piano recital. Sun afternoon: Patrick Davin conducts Belgian National Orchestra in Weber and Beethoven, with clarinet soloist Walter Boeykens (02-507 8200) Monnaie Tonight, Thurs, Sun and next Tues: Antonio Pappano conducts Willy Decker's production of *Peter Grimes*, with cast headed by William Cochrane, Susan Chilcott and Gregory Yurishov (02-218 1211)

GENEVA

Grand Théâtre Thurs: Bruno Campanella conducts first night of revival of Robert Carsen's 1991 production of Bellini's *Capuleti e i Montecchi*, with cast headed by Cecilia Gasdia and Jennifer Lamore. Repeated May 7, 10, 12, 14, 16 (022-311 2311) Victoria Hall Thurs: Liya Zilberstein

piano recital (022-310 9193). Fri: Horst Stein conducts Orchestre de la Suisse Romande in works by Mozart and Richard Strauss, with clarinet soloist Aart Rozzboom (022-311 2511) THEATRE Comédie Daily till Sat: Feydeau's farce *La Main Passe*, directed by David Bauhofer (022-320 5001) Théâtre de Carouge Next Tues: first night of new production of *Comellie's Le Cid*, directed by Simon Eine (022-343 4343)

CHICAGO

Orchestra Hall Tonight: Orpheus Chamber Orchestra with soprano Dawn Upshaw. Thurs, Fri, Sat: Daniel Barenboim conducts Chicago Symphony Orchestra in world premiere of Boulez's *Notations V-VIII*, plus works by Wagner, Schumann and Stravinsky with cello soloist Yo Yo Ma. Sun: Barenboim and Ma recital (312-435 8666)

SALZBURG

WHIT CONCERTS The Chicago Symphony Orchestra returns to Salzburg for Whit weekend May 21-23. Daniel Barenboim conducts the opening programme of Brahms and Stravinsky, and Georg Solti conducts two programmes of Beethoven and Stravinsky on the following two evenings (Tel 0662-841307 Fax 0662-840124)

UTRECHT

Vredenburg Tonight: Emerson Quartet plays string quartets by Schubert, Shostakovich and

Beethoven. Tomorrow: Jan Latham-Koenig conducts Radio Philharmonic Orchestra and Chorus in works by Beethoven, Mozart and Mendelssohn. Thurs: Jean Fournet conducts Royal Concertgebouw Orchestra in Debussy, Tchaikovsky and Bartók. Fri: Sanford Sylvan song recital. Sat: Jan Latham-Koenig conducts orchestral works by Messiaen, Mozart and Dvorak (030-314544)

VIENNA

OPERA/DANCE Staatsoper Tonight, Sat: Tosca. Tomorrow: L'elisir d'amore. Thurs, Sun: Plácido Domingo conducts John Dew's new production of *I Puritani*, with Edita Gruberova, Mario Gledani and Dmitri Hvorostovsky (repeated May 11, 15 and 18). Fri: Prokofiev's ballet *Romeo and Juliet*. Next Mon and Thurs: Colin Davis conducts Idomeneo (51444 2955) Volksoper Sat, next Mon: The Makropoulos Case with Anja Silja (51444 2959) Ronacher Sun, next Mon, Tues, Wed: Fina Bausch Tanztheater Wuppertal (586 1678) CONCERTS Musikverein Tonight: Simon Rattle conducts City of Birmingham Symphony Orchestra in works by Rameau, Debussy, Haydn and Bartók. Thurs, Fri, Sat: Zdenek Macal conducts Pittsburgh Symphony Orchestra in Smetana, Janacek and Tchaikovsky. Sat afternoon, Sun morning, Mon evening: Pierre Boulez conducts Vienna Philharmonic Orchestra in 1994 Vienna Festival. Next Tues, Wed: Claudio Abbado conducts Berlin Philharmonic (505 8180)

Konzerthaus Tonight, tomorrow, Sat, Sun (Mozart-Saal): Borodin and Tokyo Quartet give a cycle of quartets by Shostakovich and Beethoven. Tomorrow: Michael Gielen conducts South West German Radio Orchestra in works by Beethoven and Bruckner, with piano soloist Stefan Litwin. Thurs: Melvyn Tan is piano soloist with New Mozart Ensemble. Fri: Oleg Castrati conducts Austrian Radio Symphony Orchestra and Chorus. Sun: Bruno Weil conducts Tafelmusik baroque ensemble, with soprano Emma Kirkby (712 1211) THEATRE A new production of Goethe's *Torquato Tasso*, directed by Cesare Lievi, opens on Fri at Akademietheater (51444 2959). Peter Zadek's production of Shakespeare's *Antony and Cleopatra* opens at Theater an der Wien on Sat, with Gert Voss and Eva Mattes in the title roles (5883 0237). Repertory at Theater in der Josefstadt includes a new production of John Osborne's *The Entertainer* (402 5127)

WASHINGTON

DANCE/MUSIC ● Parsons Dance Company is in residence at the Kennedy Center's Terrace Theater from tonight till Sat. Accompanied by Billy Taylor's jazz trio. May 11-15: Washington Ballet (202-467 4600) ● Christoph Eschenbach is conductor and piano soloist with National Symphony Orchestra on Thurs, Fri, Sat and next Tues at Kennedy Center Concert Hall. Music by Beethoven and Tchaikovsky (202-467 4800)

THEATRE

● The Winter's Tale: Britain's Royal Shakespeare Company is in residence at the Eisenhower Theater for the next three weeks (202-467 4600) ● A Room of One's Own: Eileen Atkins in her acclaimed portrait of Virginia Woolf. At Arena Stage, Kreeger Theater, till June 19 (202-488 3300) ● Hot'n'Cole: a Cole Porter musical revue, comprising more than 50 great songs by the master of American popular music. Opens tonight at Olney Theater, till May 29 (301-924 3400) ● Hot Mikado: this 1940s swinging version of the G&S operetta has returned to Ford's Theater (202-347 4833)

ZURICH

Opernhaus Tonight, Fri: choreographies by Blenert, Ek and Van Manen. Tomorrow, Sat (also May 11, 15, 18): Lamberto Gardelli conducts Andrei Serban's new production of Adriana Lecocquer, with cast headed by Mara Zampieri and Neil Shicoff. Thurs, Sun: Fedora with Agnes Baltsa and Luis Lima. Sun afternoon: Die Zauberflöte. Next Mon: Alban Berg Quartet (01-262 0909) Tonhalle Tonight, Thurs, Fri: Nello Santi conducts Tonhalle Orchestra in a programme including Elgar's Violin Concerto, with Igor Oistrakh. Tomorrow: Il Giardino Armonico plays Vivaldi's Four Seasons (01-261 1600)

ARTS GUIDE

Monday: Berlin, New York and Paris. Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington. Wednesday: France, Germany, Scandinavia. Thursday: Italy, Spain, Athens, London, Prague. Friday: Exhibitions Guide.

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MONDAY NBC/Supers Channel: FT Reports 1230.

TUESDAY EuroNews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY NBC/Supers Channel: FT Reports 1230

FRIDAY NBC/Supers Channel: FT Reports 1230 Sky News: FT Reports 0230, 2030

SUNDAY NBC/Supers Channel: FT Reports 2230 Sky News: FT Reports 0430, 1730;

Understanding the libertarian mind

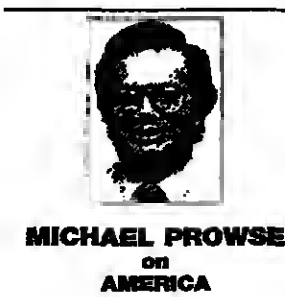
The other evening I attended a meeting of the Vienna Coffee Club - that is Vienna in the state of Virginia. The guest of honour, Mrs Bettina Greaves, spoke about Ludwig von Mises, the late "Austrian" economist whose work she has lovingly catalogued. I thought how strange it was that Mises, an economist almost unknown in his native Austria, remains a source of inspiration for many US libertarians.

I suppose Americans, for historical reasons, are naturally more sympathetic to free-market ideas than Europeans. The newly-formed Vienna Coffee Club is typical of scores of discussion groups and think-tanks scattered across the US. What they share is a dislike of government and a burning commitment to economic and personal liberty. Some, such as the Cato Institute in Washington DC, exert considerable influence.

Cynics tend to dismiss libertarians as either cranks or rightwing reactionaries. They say the high-flown rhetoric about "freedom" is a smoke-screen. Rich entrepreneurs support such groups, the argument runs, for selfish reasons: to garner political support for lower taxes, a policy from which they stand to benefit.

Perhaps some backers of libertarian groups do have dubious motives. But this is not an argument against libertarianism: as Adam Smith noted, self-serving behaviour often promotes public welfare more effectively than altruism. Motives in any case have no bearing on the validity of political arguments. While libertarians sometimes welcome support from traditional right-wingers, the philosophy espoused by true believers would make most conservatives cringe.

Libertarians believe in one fundamental principle: individuals should be free to pursue their own goals unmolested provided they do not harm the person or property of others. All consenting acts between adults that do not damage third parties should be permitted. Libertarians are thus highly critical of conservatives for disregarding civil and personal liberties and for impos-



MICHAEL PROWSE
ON AMERICA

ing their moral codes on the entire community.

They reject military conscription (even in wartime) as a wholly unacceptable infringement of personal liberty; they oppose all forms of censorship, including restrictions on pornography; and they strongly advocate equal legal treatment of all citizens, regardless of sexual orientation, race or gender. A libertarian could have no principled objection to homosexual marriage, or to adult prostitution, which is a service in obvious demand.

In these respects libertarians are firmly "left of centre". But they part company with social democrats on economics. They do not believe personal and economic freedoms can be disentangled. As Mr Murray Rothbard, a prominent American libertarian, has often argued, civil liberties are rooted in economic freedoms. Why? Because we cannot do anything without control of physical objects and, ultimately, we cannot control what we do not own. Liberty is what we do not own. Liberty is what we do not own. Liberty is what we do not own.

The axiom that interactions between people should not be interfered with unless they damage third parties thus logically extends from free speech and sexual conduct to the exchange of goods and services. Yet when government imposes taxes or regulations, it forcibly interferes with these voluntary economic exchanges.

Taxation, for example, means that employees often receive two thirds or less of the monetary value of their output. Extreme libertarians, such as Rothbard, reject all taxation as "theft"; moderate libertarians accept the need for some taxation, but oppose progressive

taxes - proportionately higher taxes on the wealthy.

Western-style democracy (one person one vote) is often regarded as an automatic guarantee of personal freedom. Libertarians agree that the alternatives are worse, but they regard government of any sort as potentially despotic. The problem is that the right to vote once every few years gives the individual little control over the actions of government. It exerts no effective restraint on the capricious will of the majority, which is often strongly influenced by special interest groups.

Libertarians fear individual rights are being crushed even in such supposedly individualistic societies as the US. For a catalogue of recent abuses, see *Last Rights: The Destruction of American Liberty* (St Martin's Press, New York), a new book by libertarian author James Bovard. He worries about tax regulations that are forcing the self-employed into bankruptcy, "asset forfeiture" laws that permit officials to seize property almost at will, security forces which search homes and persons merely on suspicion of drug abuse, and a mind-boggling array of arbitrary rules stemming from some 1,200 separate federal programmes.

Bovard complains that most Americans have a romantic view of government: they judge politicians not by their record but, unhelpfully, by what they say they will do for voters. His favours rolling back government to its 1910 boundaries - before income tax.

Since libertarians believe in low, flat taxes and a minimal government (for such functions as defence and law and order), they are often perceived as "uncaring". This is somewhat unfair. People's ethics are best judged by their private actions - not by their politics. The proportion of income that individuals freely give to charity is surely a far better gauge of their sympathy for their less fortunate fellows than the shrillness of their calls for higher taxes on the rich and more public spending, much of which only induces dependency in recipients thus further eroding their life chances. The libertarian voice deserves to be heard.

Sir Alastair Morton and Mr André Bénard, co-chairmen of Eurotunnel, will on Friday join the ranks of engineering pioneers such as Thomas Telford, Isambard Brunel and Ferdinand de Lesseps who have presided over grand engineering projects completed late and over budget.

The official opening of the Channel tunnel by the Queen and President François Mitterrand of France is a year later than originally planned. A full service is unlikely to be available until the autumn.

The cost of the project at more than £10bn including interest payments, is more than double the £4.8bn forecast in 1987. Shareholders, who have invested £1.6bn already, will be asked later this summer to find another £500m.

As Eurotunnel seeks to raise yet more cash to meet the spiralling costs. Similarly, banks will have to lend more. Their experience, and those of promoters of other large engineering projects, raises the question of whether such pioneering schemes are suitable for private investment when they are almost impossible to cost in advance.

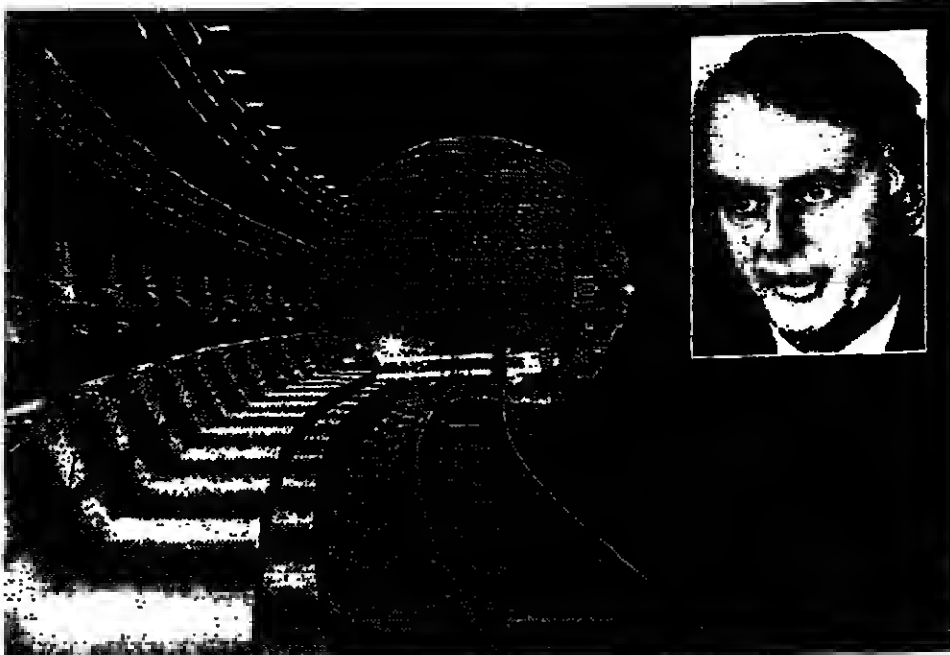
Potential promoters of the £2.7bn proposed high-speed rail link between the Channel tunnel and London have successfully argued that the government should share the financial risk as it can take a broader view of other social and economic benefits which the development may bring. The UK government says it will bear part of the cost but the amount has not been decided.

Developments which have substantially exceeded their original budgets in recent years include the Thames Barrier which cost £46m (compared with an original price of £23m), and the NetWest Tower in the City of London, £115m (£15m). Outside the UK, the Seikan rail tunnel, connecting the island of Hokkaido to mainland Japan was completed 14 years late and billions of pounds over budget.

History is littered with grandiose schemes which have failed to satisfy the original expectations of bankers, investors and politicians. Yet many have come to be regarded as successes bringing great strategic advantages.

Mr Patrick de Pelet, head of project finance at Kleinwort Benson merchant bank, says: "The political, commercial and financial risks involved in large infrastructure projects are such that the private sector

The Channel tunnel opens this week, late and over budget. Andrew Taylor says it is not unique Pounds, pioneers and more pounds



Light at the end of the tunnel: an inside view of the Channel project and, inset, Sir Alastair Morton

will look to the government to bridge the gap by using the economics to balance in this more demanding climate."

Mr Roland Paxton, chairman of the Institution of Civil Engineers, says large projects have particular features which make it difficult to forecast the cost and construction time. He says the scale of the work means that construction, invariably, has to start before detailed designs are completed and bottlenecks can be identified. Engineers without detailed plans tend to be over-optimistic in their projections, particularly with nervous bankers and shareholders to convince.

For example, a cooling system in the Channel tunnel was not included in the original plans. The need for one only became apparent when final designs revealed that friction caused by the passage of some of the world's largest trains, together with heat generated by signalling, communications and other equipment, would increase the temperature

inside the tunnels to 50°C. As a result engineers had to install hundreds of kilometres of pipes to pump 280 litres of water a second, chilled to 3°C by cooling plants equivalent to 25,000 domestic refrigerators.

Designs on long-running projects also have a habit of changing. Mr Neville Simms, chief executive of Tarmac, one

The £10bn cost of the tunnel is more than double the £4.8bn forecast in 1987

of the five British and five French construction companies which built the Channel tunnel says: "The speed of technological development has been such that even if we had spent two years prising detailed designs before starting work we would have had to change them before construction was completed."

Even if the technology is

simple, the scale of large projects in itself makes costings unreliable, if only because there is no previous experience to draw on. Organisation and communication problems are different between, say, a 5km and a 50km tunnel. More than 800,000 concrete segments, 22,000 tonnes of railway track, 15,000 supports to carry overhead power lines and 20,000 light fittings were just some of the components installed in the Channel tunnel.

Mr Michel Barbier, responsible for installing mechanical and electrical equipment from France, described the process of transporting much of that equipment through the narrow tunnel mouth as like "force feeding a goose in a very short space of time to produce the best ever pâté de foie gras".

Such problems are hardly new. Thomas Telford, who built the Menai bridge between Anglesea island and the Welsh mainland in 1826 - then the world's largest suspension bridge - had expected the scheme to be completed in

three years at a cost of £70,000. Instead he found the technology outpacing him. The bridge took eight years to build and cost £170,000 after Telford was persuaded that it would be stronger if he increased the height of its towers. The bridge improved an important Anglo-Irish trade route and gave Britain a lead in bridge building technology which it was able to exploit elsewhere.

The financing of the Suez Canal, completed in 1869, is a classic example of engineers persuading investors that they would be able to meet over-optimistic cost forecasts. The private-sector project, proposed by Ferdinand de Lesseps, a French entrepreneur, was to be financed by the issue of 400,000 shares at FF500 each to meet the £8m construction cost. But the project finished a year late and cost £15m.

Even then, shareholders' problems were not over. Revenue from the canal failed to cover costs and the promised 5 per cent dividend on the shares, Ismail Pasha, the viceroy of Egypt, whose family had spent £6.8m on the canal shares, sold his stake to the British government for £4m.

De Lesseps ran into still more serious trouble with plans to finance privately the Panama Canal. The project was forecast in 1880 to cost \$240m, including interest repayments. It was expected to take 12 years to complete.

The venture was eventually finished in 1914 by the US government after the French venture failed in 1889 having spent \$287m and made little progress in building the canal. The US spent a further \$352m on the project, making a total of \$639m - more than two and a half times the original budget.

Another private-sector project that had to be rescued by a government was the first tunnel under the River Thames built 150 years ago by Marc Isambard Brunel (father of Isambard Kingdom Brunel). Shareholders lost all of their money but the project was an engineering triumph breaking new ground in tunneling technology. The tunnel is still used as part of the London Underground.

Telford, De Lesseps and Brunel may have failed to meet their original financial targets - and many shareholders have had their fingers burnt. But their projects have yielded strategic and economic benefits over many years. With Eurotunnel shareholders facing yet another call on their cash, that might bring them a little satisfaction.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Orange off colour with its message

From Mr Alan Greene.

Sir, As someone eagerly awaiting the arrival of the UK's fourth and last mobile phone operator before deciding which system to use, I have been disappointed with the launch of Orange. I can see where the £15m on advertising is being spent, namely on TV and one word poster adverts that tell you nothing about the product or how to get one. I have been into phone shops and am aware that there are plenty of handsets in stock. The only thing I don't know is how much it costs, as tariff sheets and contract details are in short supply.

Whereas newspapers carried full tariff details on the launch of the Mercury PCN in both adverts and in articles, the garbled reporting of Orange's launch in last Thursday's FT - "there are to be no monthly charges. Its plan for occasional users costs £15 a month including..." - does not help to clarify matters.

Whatever happened to benefit selling? I feel that Orange's concept approach to marketing that overlooks its product's benefits is going to cost it dear. Or maybe the tariffs are best not explained in case they cost the customer dear.

Alan Greene,
32 Glen Road,
Herts GU13 9QR

Auditor liability must have limit

From Mr Ian Brindle.

Sir, The Chartered Association of Certified Accountants in its submission to the Department of Trade and Industry on auditors' liability has missed the point ("Accounting body warns over cap on audit liability", April 25).

To argue that allowing auditors the right to negotiate a limit on liability would be anti-competitive, and therefore against the public interest, simply misunderstands the seriousness of the position.

It is quite clear that, following some spectacular corporate collapses and the ensuing epidemic of legislation, the major firms are now facing claims of such size that one or more of them could be bankrupted. Insurance cover is no longer available and unless the Companies Act is amended to allow auditors to negotiate an upper limit for lawsuits, some firms will go under.

Incorporation has been mentioned as one solution but,

while it would offer some protection to individuals, the company as an entity would still be at risk in the event of an excessive lawsuit.

The consequences scarcely bear thinking about. Setting aside the mayhem it would cause in the accountancy profession, business would be badly damaged as companies would be unable to substantiate their accounts and so attract investment. This dislocation would continue for some time and by no stretch of the imagination could that be described as in the public interest.

Let us be very clear, the major firms are not trying to shirk responsibility. We are very willing to accept our share of the blame, but not everyone else's share. It cannot be right that auditors are exposed to 100 per cent of a loss, whatever their proportion of the blame. What is most desirable - and equitable - is that the law on joint and sev-

eral liability should be changed so that auditors only bear the costs of what is directly attributable to them. However, the Law Commission has made it clear that its workload makes this change most unlikely in the short term.

In this event, all we are seeking is a modest change in the law to bring us into line with other professionals who already have the right to negotiate a limit on what they have to pay out.

Pursuing the goal of free competition is laudable and one to which we subscribe. We do not believe limiting auditors' liability goes against this.

What we do believe is that failure to change the law will damage industry as much, if not more than, the profession. Ian Brindle,
Senior partner,
Price Waterhouse,
Southwark Towers,
32 London Bridge Street,
London SE1

Quotas raise questions about DTI's competence

From Mr Ben Coleman.

Sir, Philosophical discussions over subsidiarity in relation to the Cardiff Bay barrage and the sudden introduction of EU import quotas on Chinese silk shirts miss the point (Letters, April 25 and 28, and report, "Clothes retailers hit as Brussels imposes limits on silk imports", April 22). The silk shirts affair throws up far

more disturbing questions about the competence of the Department of Trade and Industry and the Foreign Office.

Didn't the DTI and the FO have any idea in advance that the EU wanted to impose quotas? If they did, why was there no warning to British importers, which are left with overseas stock they have paid for

but cannot bring in? If they did not, why on earth not?

The important issue here is whether British industry is suffering yet again from the failure of our politicians and civil servants to understand how to monitor and influence developments in Brussels.

Ben Coleman,
14 Boscombe Road,
London W12 9HP

Incomplete picture conveyed of power workers' attitudes

From Mr John Lyons.

Sir, Frank Ledger and Howard Salans' article about the operations of the Central Electricity Generating Board during the 1984-1985 miners' strike ("We kept the home fires burning", April 23) was a trailer both for their forthcoming book on the subject and for the BBC2 documentary, "The men who kept the lights on", shown the same evening.

The producers of the documentary had the laudable aim of bringing that story to a wider public unfortunately, by their choice of interviewees they conveyed the impression that the only members of the workforce who co-operated with management in carrying out the industry's fundamental

public service commitment to keep the lights on were weak, unprincipled or greedy, or all three. It was not so.

Among the industry's workforce there was much sympathy for the miners' predicament. But, with comparatively few exceptions, it did not translate into support for the strike itself - for obvious reasons. Arthur Scargill, the miners' leader, with his own overtly political objectives, made a lot of people wary, even when sympathetic. He not only endorsed picket-line violence, but it was widely appreciated that, in the absence of a ballot, he needed it. Scargill's slogan that no mine should be closed on economic grounds rang no bells with a workforce

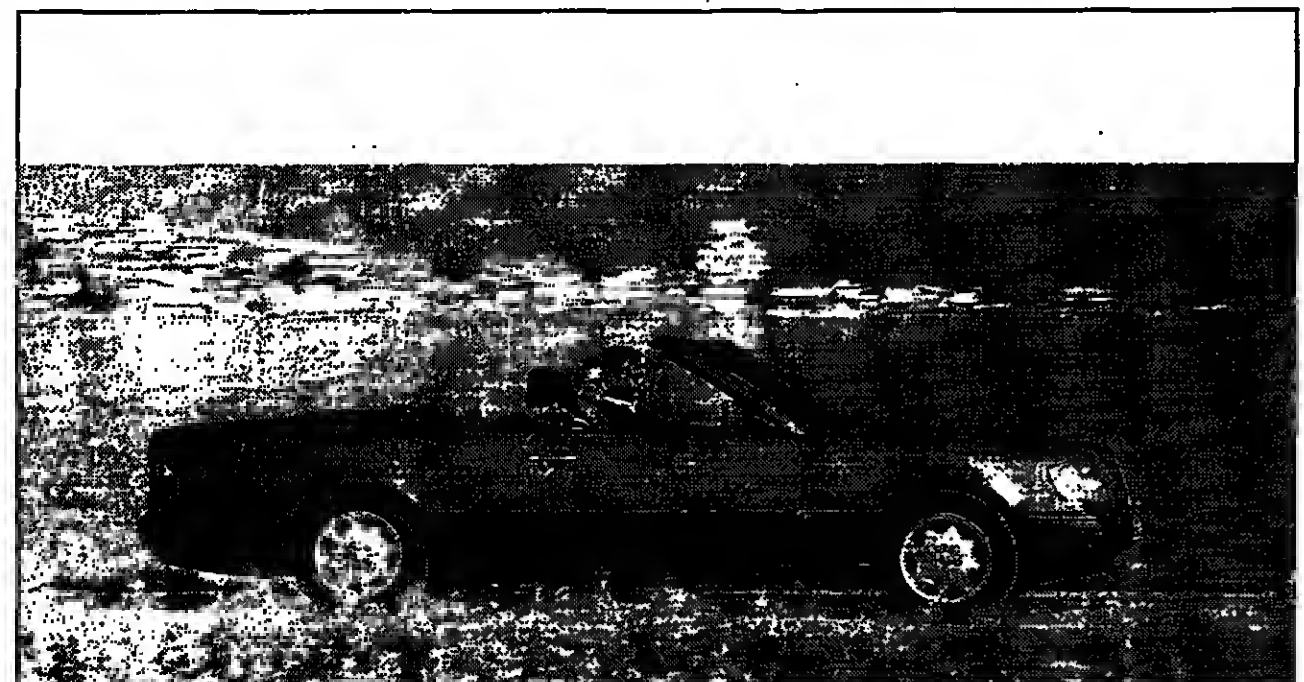
which accepted that power stations had to be closed when they were no longer economic. And then there was always a strong sense of responsibility about electricity supply being a public service.

Management was only able to pull the industry through the strike in the way it did because the workforce as a whole was, at the very least, unpersuaded about the legitimacy of the miners' strike under Scargill's leadership. No one could know that from watching the documentary.

Of course, there were those in the industry who strongly supported the strike. They also had honourable reasons, but they were in a minority. At perhaps six or seven of (from

memory) about 90 power stations support for the strike was sufficiently strong to prevent management from getting in any new coal supplies. But at the great majority of power stations these problems did not arise or else were comparatively minor. No one could have known that from watching the documentary.

I do not think the producers of the documentary set out to produce the skewed picture with which they ended up. But they should have painted the wider picture as well. John Lyons,
(former general secretary of the Electrical Power Engineers Association),
305 Salmon Street,
London NW9



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Tuesday May 3 1994

Europe's parliament

European Union institutions often face justifiable criticism for lack of transparency in decision-making. One of the bodies best placed to address this problem is the European Parliament, but the public doubts its effectiveness. That is one reason why, in most EU countries, the turnout in the election for the Strasbourg assembly on June 9 and 12 will probably be much lower than in national polls. In fact, as a result of the Single European Act that came into force in 1987 and the Maastricht treaty, the power of the 518 (soon to be 597) MEPs in many cases exceeds that of members of national parliaments. With the ability to determine Europe-wide legislation, vet both the European Commission and Council of Ministers and check the EU budget, Europe's transnational assembly demands to be taken seriously. At the same time, the rules governing the parliament's own operations need to be tightened. If it wants public sympathy in its campaign for a more directly democratic EU, the parliament will have to correct its own shortcomings.

At present, the parliament offers a case study in unwieldiness, due only in part to the inevitable problems of linking 12 states' diverse political cultures. Efficiency is constrained and costs increased by MEPs' need to peripatet between plenary sessions in Strasbourg and committee meetings in Brussels.

Higher profile

The parliament's difficulties have often reflected national governments' unwillingness to allow it to undermine national parliaments. However, during the next five-year legislative period, it will have a much higher profile. Already, around 2,000 MEPs' amendments relating to single market legislation have passed into law. Under Maastricht, the parliament shares "co-decision" power with the Council of Ministers. It can veto most measures passed by qualified majority voting, in fields ranging from consumer protection and vocational training to health and research. In a fresh sign of its importance, the parliament is due to decide tomorrow whether to accept the formula for EU voting planned when Austria, Finland, Norway and Sweden join.

The business of smoking

The acquisition of American Tobacco by BAT Industries is at first glance a perverse step. For one thing, it appears contrary to BAT's strategy of diversifying away from cigarette sales into financial services. For another, BAT is investing in the US tobacco market at a time when sales are declining and the anti-smoking climate is shifting from determined to downright zealous. Yet BAT has benefited from the adverse circumstances - as its share price rise shows. Fears over the future of the US market mean that the price paid for American Tobacco is cheap at under 10 times earnings. The acquisition should allow BAT to strengthen its market position through efficiencies in marketing and sales. In spite of falling sales and the price war launched last year by Philip Morris, tobacco continues to produce strong cash flow.

This cash can be used in diversification of tobacco. BAT continues to look for opportunities in financial services. American Brands, former owner of American Tobacco, has built up a strong portfolio of other consumer brands. But the collapse of communism creates enormous opportunities for companies that remain in the tobacco business. Markets such as China and the former Soviet Union are now opening up with fast-growing sales. The tobacco giants would be unwise to assume that they can indefinitely expand the market for their products, however, even in less developed countries. The health consequences of smoking on those who indulge in it are now undisputed and clear. As life expectancy in such countries lengthens, the cost in premature deaths and medical treatment will become evident. Restrictions on sales and marketing will follow.

Anti-smoking activists

The rapid change in thinking in the US should be a warning of how fast the climate for smoking can change, even in a country with a substantial tobacco industry. The election of President Bill Clinton has ended a period in which anti-smoking activists had minimal impact and US diplomats did their best to open foreign markets for their tobacco companies. Far-reaching measures now pro-

posed could restrict smoking to the privacy of the home, the car or special smoking rooms sealed off from the rest of the world. Given the growing evidence on the health impact of smoking on non-smokers, it is certainly sensible to ensure that the latter can avoid "passive smoking". The threat of litigation will compel employers to protect their non-smoking employees from tobacco smoke. The prevailing mood may also lead businesses such as restaurants to segregate their smoking customers. Smokers in public places will face increasing restrictions at the behest of the non-smoking majority.

Draconian measures

Yet some of the more draconian measures now proposed are unlikely to be effective. Punitive taxation, for example, is tempting because it bears heavily on "sinners". It can also be shown to reduce consumption and deter young people from the habit. Excessive high taxes, however, also increase the sort of cross-border smuggling that recently forced Canada to cut its tobacco tax. Even more drastic attempts to treat tobacco like other dangerous drugs is likely to make control more difficult. Banning other widely-consumed drugs such as marijuana has not significantly reduced their consumption. It has, however, removed them from controls over distribution, to the advantage of those who sell more dangerous substances. As with alcohol prohibition in the US, the main beneficiaries are criminals.

Nor is it clear that complete bans on advertising are efficacious (other than in defending state tobacco monopolies against foreign competitors). There is some evidence that smoking may increase in countries with bans because of the disappearance of the anti-smoking messages that advertisements are normally required to carry. Reducing the number of smokers and the amount of smoking is a legitimate and worthwhile aim of public policy. But pragmatism is needed in choosing the means. And success is likely to be gradual, a fact that allows the tobacco companies very many more profitable years before their market disappears completely.

The world of grand prix motor racing, still mourning the death at the weekend of three-times world champion Ayrton Senna and Austrian driver Roland Ratzenberger, yesterday began the process of analysing the causes of the fatalities at the San Marino Grand Prix - and their implications for the sport's future.

A formal investigation is being launched by the Paris-based world governing body of motor sport, the Fédération Internationale de l'Automobile. Before the lights turn green at the Monaco Grand Prix on May 15, the drivers will have held their own meeting to discuss whether additional steps should be taken to improve safety.

Ironically that meeting was initiated by Senna himself. In part it was a consequence of his concern that changes made this year to the rules governing grand prix cars, in particular a ban on "active" (computer controlled) suspension, traction control (to prevent wheel spin under acceleration), and other driver aids, were making the cars more difficult to control.

Senna lived for the satisfaction racing at the limit gave him. He brought to grand prix not just natural driving talent but a self-discipline and analytical rigour. Nevertheless, in spite of his renowned aggression on the track, no one was more aware of motor racing's risks than the 34-year-old Brazilian. "I know you are always in danger of dying... and it can really get to you. If you're not careful you can see how fragile you are; that you can be gone in just a fraction of a second," he said recently.

His death raises questions not just about the safety record of grand prix racing and measures that might be taken to improve it but also the extent to which it should regard itself as an entertainment spectacle, necessarily involving risk.

The FIA's president, Mr Max Mosley, yesterday defended this year's rule changes of which Senna was critical. The FIA introduced them, Mr Mosley says, as a means of restoring a greater role for the driver. Had the trend to greater electronic control of the cars gone unchecked, maintains Mr Mosley, "we would fairly quickly eliminate the driver. One still after another would go until, in the end, almost anybody would be able to drive the car. It's all technically fascinating and very relevant to road cars - but we felt it would destroy an essential

High-powered decisions ahead

After the death of two drivers, the sport of grand prix motor racing faces difficult choices, writes John Griffiths

element of grand prix racing."

He perhaps did not realise it but Mr Mosley was in effect saying that technology has given grand prix, the ability - and the responsibility - to decide what level of risk should be involved.

The ramifications of the questions raised extend beyond the grand prix teams to embrace all the participants in what has become a global industry, as well as a sport.

With each race watched in more than 100 countries and by about 1bn television viewers, Formula One Grand Prix has become a marketing tool for carmakers and other multinationals ranging from clothing group Benetton to the tobacco industry.

Yesterday the Ford motor company, which provides engines for several teams including current championship leader, Benetton-Ford, withdrew a series of newspaper advertisements to celebrate its weekend victory. And Renault, whose engines powered the Williams car in which Senna died, itself called for greater safety measures.

Such reactions are understandable, as is that of the German driver Michael Schumacher, whose third win in a row in his Benetton-Ford at the weekend was overshadowed by the tragedies. Schumacher has pledged to lead the Monaco meeting himself in the quest to secure greater safety.

The immediate investigations will concentrate on discovering what caused Ratzenberger to leave the track at such high speed - close to 200mph - on Saturday and Senna, 24 hours later, to crash head-on into the concrete wall lining Imola's notorious Tamborello curve at a similar speed.

Video and eye-witness evidence indicate that bodywork broke away on Ratzenberger's car, causing it to lose stability. In Senna's case there are few clues, except that on the evening before the race he was reported as worried about his car



After Senna: grand prix racing needs to re-examine its safety standards

being "nervous" on the Imola circuit, one of the world's fastest but criticised by several drivers for being "bumpy". The data-logging "black box" from the wreckage of Senna's car may hold the answers to the crash and will be flown to the UK for examination within the next few days.

Another issue of immediate concern is the safety of racing circuits. The Monaco drivers' meeting is expected to concentrate on this issue. More gravel traps to slow the cars before they hit barriers and longer run-off areas might well have reduced the catastrophic con-

sequences of the weekend's crashes. Honeycomb barriers, rather than rigid steel or concrete ones, might also have slowed Senna's and Ratzenberger's deceleration rate enough for them to survive.

But there are more fundamental decisions to be made. The FIA could choose to retain the new rules, thus placing the onus on the drivers, not technology, to control the cars. The rules also have the advantage of curbing costs, allowing smaller teams to close the gap on the front-runners, thus making racing more interesting for spectators. But this concept of grand prix

racing - as commercial spectacle first, technology race second - has increased the risk to drivers. The number of spins from driver error in grand prix races this year shows how big the impact has been, although there is no evidence that this was a factor in the weekend's crashes.

The alternative is for the FIA to relax the restrictions on driver aids. This would give a fresh impetus to the technological side of racing: such is the pace of technology, the cars would not even need drivers within the next five years. Last year leading drivers had merely to press a button when the lights turned to green. It was the on-board computer which operated the accelerator and clutch, changed all the gears and stopped the wheels spinning wastefully until the first corner had been passed. Such driver aids are among those currently banned.

One problem, however, as the investigations into the weekend's accidents is likely to show, is that while the cars' carbon-fibre driver "survival" cells are surviving impacts of great severity, the drivers they contain can simply no longer cope with the impact of the gravitational forces in high-speed collisions, even in the absence of other injury.

The blunt question grand prix must ask itself is whether audiences are interested in racing as a risk-free giant Nintendo game, fought by computers with little human input during the races themselves - or whether commercial interests will drift away towards something more adventurous.

The advances in circuit design, car technology and materials have in fact made grand prix motor racing safe beyond all reasonable expectation. Until this weekend it had been 12 years since a driver was killed while competing in a grand prix; a decade since one died in testing. That is almost 200 races, each of about 200 miles. When testing and practice undertaken throughout each year is added in, nearly 10 grand prix miles have been covered between fatalities.

It is no grounds for complacency. But neither is it necessarily a record to be ashamed of, given this is a sport which has as its essence the human control of half-tonne projectiles travelling at up to 100 yards per second - and in which success is measured by how closely the limit of control can be approached without being exceeded.

Central banks in ex-Soviet states remain under the shadow of politicians, says John Lloyd

A cry for freedom

A struggle for independence is being waged by central banks in almost all of the states of the former Soviet Union - a battle possibly as momentous as the countries themselves underwent to achieve statehood.

For Mr Michael Bruno, chief economist at the World Bank, a central bank is "the way in which society protects itself against itself". He made his remarks last week, to a conference mounted by Chicago University's Law School which succeeded in getting most of the central bank governors of the post-communist states together to talk about their problems and listen to western bankers tell them how to protect their banks against their politicians.

The legacy with which they have to cope is that of a Soviet state where Gosbank - which monopolised the banking field and was subservient to the Communist party, the government and the ministries. Money allocated to projects and enterprises merely passed through the bank, requiring it to develop no analytical skills; its foreign currency operations, though prudent, were relatively rudimentary; its supervisory functions perfunctory.

The legacy is doubly malign in the non-Russian republics. Gosbank's headquarters in Moscow possessed a tiny corps of highly skilled bankers; its branches in the republics, capitals, now independent states, had almost none. "It's very bad when politicians don't understand the basics of the market economy. But when the central bankers don't, then it can be a disaster,"

says Mr Grigory Marchenko, deputy governor-designate of the Bank of Kazakhstan.

But the largest complaint from the central bank bosses is the political chaos in which they work. Mr Victor Yushchenko, Ukraine's central bank governor, works with a parliament still in the process of elections but tending against reform, a president lacking in authority, legislation to set out the central bank's remit endlessly delayed, a plunging economy and tiny reserves. "The central bank and the new commercial banks are in a very tough position," he says.

"They have to act as champions of change in an environment where most of the government and the large state sector are resisting or slowing such change."

The central banks' situations are diverse but they agree with great feeling on one thing - that their political masters should not have any right to interfere, either directly or indirectly, through over-politicised appointments.

"The government is always looking for easy money," says Ilman Rimshchikov, the deputy governor of the central bank of Latvia, one of the most successful of the ex-Soviet economies. "In these conditions it's hard to enforce independence and to sell off the state commercial banks which used to supply cheap credit to the enterprises."

At the other end of the scale from Latvia are republics such as Geor-

gia and Armenia, whose economies are ruined and where to talk of independence is more germane than to talk of independence. In Georgia, for example, the currency is close to losing all meaning: from trading at 35,000 to the dollar last November, it fell to 180,000 by Christmas, and to 650,000 at the end of last month.

At still another extreme is Belarus, where an agreement with Russia, signed in April, appears to open the way for the merger of the two Slav states' economies. However, make mainly for the Russian or Ukrainian markets. If we let these enterprises go we will get 50 per cent unemployment. Investment in the economy has practically disappeared. We don't need monetary stabilisation: we need a programme which covers the whole economy."

The brightest star in the post-Soviet firmament is Estonia. Its prime minister, Mr Mart Laar, and its central bank governor, Mr Siim Kallas, put the success down to the strength of the bank's commitment to a stable currency. Estonia has linked the Estonian kroon to the German D-Mark and given the bank no discretion to lend to the government. At the same time, the governor cannot be fired and future governors will nominate their own successors. The result has been a hard currency, low inflation (though rising now) and an economy set to grow as fast as any in Europe this year.

For Mr Kallas, the reform showed that "money is seen not just as money, but as a crucial national symbol". Rather more cynically, he confesses that the laws guaranteeing bank independence, linking the kroon to the D-Mark and barring the government from raiding the bank's coffers were passed through parliament "before the deputies quite knew what it all meant".

Russia is still at the centre of the web - though none of its central bankers came to Chicago. Mr Victor Geraschenko, the present gover-

nor, has believed, takes the contrary view to the prevailing credo of most central bankers everywhere else, that his duty is to keep enterprises going even at the cost of high inflation, and has said that he does not believe inflation is directly related to the supply of money in the economy (by contrast, the Estonians believe this with a kind of mystical fervour).

As the "owner" not so long ago of these now "independent" banks, the Russian bank still exercises influence - the more so as Russia seeks to extend its economic union, drawing other states into the same relationship as that it wishes to have with Belarus. Mr Thomas Wolf, deputy director of the International Monetary Fund department concerned with east Europe and the former Soviet Union, noted that after the Soviet collapse, the former states tried to do two contradictory things - to build up their national currencies and to discuss with the Russian central bank how best to draw their economies closer.

This tension remains. For the central bankers, the success of Estonia and Latvia is less of a beacon than a train disappearing over the horizon - which they have missed. Unlike Mr Kallas, they were unable - or unwilling - to get change in place early while the industrial and other lobbies were disoriented. Now they must seek change in the worst kind of circumstances and many of their political leaders are tempted to lean on Russia. The Chicago gathering showed the bankers want to pursue independence: but it showed, too, how far they remain under the shadow of politics.

OBSERVER



the new manifesto as a recipe for averting disaster in the next general election.

Whips' cream

As European members of parliament prepare to vote on the fickle subject of EU enlargement tomorrow, spare a thought for the whips feverishly trying to ensure a respectable turnout. Unlike their domestic counterparts, the bully boys of Strasbourg suffer an embarrassing paucity of sticks and carrots. With

a houseful of backbenchers and no cabinet, how can you reward the dutiful - and more pertinently, punish the wayward?

Conservative whip Lord Inglewood has learned one or two tricks since he took up his birch at the beginning of the year. The division of committee spoils in the next parliament is one focus of considerable interest, for instance.

Apparently the real bogey for conservatives is - un-PC thought coming up - being assigned to the women's rights committee. For the Labour party, it's legal affairs. "I'm on that," Inglewood reveals.

An equally effective tool, he goes on, is the lure of a place on one of the "interparliamentary delegations" - the most popular junkets being to the US or China.

Yep, MEPs are uncomplicated beasts, really.

Number one

Persuading Yasser Arafat to break from the last detailed negotiations of the peace talks with Israel was no mean feat on the part of Daimler-Benz, which yesterday wooed the PLO leader to Stuttgart. The idea was to signal the support of Germany's biggest

industrial empire for the peace process - though just how far there is still to go was obvious from the cavalcade of 17 heavily-armoured four-tonne Mercedes limousines accompanying the visitor.

Seeing that Arafat is not quite a head of state yet, he misses out on the traditional Daimler gift of a Merc. Instead, he came away with the promise of funding for a kindergarten - for "the future of Palestine" - as well as cash for a study on establishing the transport infrastructure of the future state.

Gleaming new roads to carry all those future trucks and buses, no doubt. Even for Edward Reuter, the socially-conscious boss of Daimler, the profit motive is never entirely absent.

Oh golly

Pretoria-Witwatersrand. Vereeniging hardly trips off even a South African tongue. Hence the search for a more euphonic handle to fit the sprawling conurbation around Johannesburg, one of the nine new provinces. "Egoli" meaning "place of gold", and the name given to Jo-burg by black mineworkers, was an early suggestion. But then, what would non-white residents of Egoli be called? Quite. The search continues.

Arrest warrant out for Berlusconi executives Milan magistrates back inquiries into Fininvest

By Robert Graham in Rome

Investigations by Milan magistrates into the affairs of Mr Silvio Berlusconi's Fininvest empire have resurfaced just as the media magnate begins the final stages of consultations to form a government.

Yesterday's civil liberties court approved a request by the Milan public prosecutor for an arrest warrant to be issued against Mr Marcello Dell'Utri, head of Fininvest's advertising arm Publitalia, and two other senior officials in the group on charges of falsifying accounts.

Mr Berlusconi described the court's move as a "huge mistake". Mr Dell'Utri's lawyers have challenged the decision and the matter now goes to the appeal court.

The incident has shown that magistrates are still investigating Fininvest, which was controlled directly by Mr Berlusconi at least until last autumn and the chairmanship of which he relinquished only in January.

Mr Dell'Utri, a long-time associate of Mr Berlusconi, was the principal figure behind the organ-

isation of the businessman's Forza Italia political movement, which relied heavily upon Publitalia's contacts and offices.

The charges emerged in March during the election campaign and relate to alleged illicit payments made for transfers of football players to Mr Berlusconi's AC Milan. A lower court rejected the validity of the arrest warrant requests.

The court's decision came two days after two Milan magistrates publicly rejected overtures from Mr Berlusconi to join his new government. In particular, Mr Berlusconi had been trying to persuade Mr Antonio Di Pietro, the best known of the anti-corruption investigators, to accept the interior ministry, justice ministry or become head of the police.

Opinion polls consistently show Mr Di Pietro to be the most popular figure in Italy. In announcing the refusal to switch to politics, the anti-corruption magistrates reiterated their commitment to pursue investigations.

They backed that up by issuing a request to send 37 politicians,

businessmen and intermediaries for trial for involvement in the "mother of all bribes" - the L150bn (\$91m) paid out to permit the Ferruzzi-Montedison group run by the late Raul Gardini to pull out from its Enimont chemicals joint venture with Eni, the state oil concern.

The politicians include former Socialist leader Bettino Craxi and Mr Arnaldo Forlani, the former Christian Democrat party secretary, as well as Mr Umberto Bossi, the leader of the Northern League.

In a separate move last Friday, Milan magistrates requested that Mr Berlusconi's younger brother be sent for trial for three alleged bribes totalling almost £1bn, paid to facilitate property deals with Cariplo, the Milan-based savings bank. One of the payments was allegedly made in 1992, before Mr Berlusconi formally transferred his construction and property interests to his brother.

All that suggests that, if Mr Berlusconi gains a vote of confidence for his government next week, he will continue to be dogged by investigative problems related to Fininvest.

Formula 1 safety meeting follows deaths

By John Griffiths

An emergency meeting to consider Formula One safety has been called for tomorrow by the world governing body of motor sport, the Fédération Internationale de l'Automobile (FIA), after the deaths at the weekend of grand prix drivers Ayrton Senna and Roland Ratzenberger.

The move to ascertain as quickly as possible the precise causes of the double tragedy came as tributes were paid around the world to Senna, the 34-year-old triple world champion from São Paulo.

Mr Jean-Marie Baleard, FIA president, has declared three days of national mourning for Senna, who died of head injuries on Sunday when his Renault-Williams car left the track at 180mph during the San Marino Grand Prix at Imola.

Austrian driver Ratzenberger was killed 24 hours earlier when his MTV Sunket Ford left the track near the same spot at similar speed during practice.

The FIA said last night that tomorrow's meeting in Paris would examine technical, medical, safety and supervisory staff reports, as well as take evidence from team and circuit personnel.

By last night, no firm evidence had emerged of the cause of either fatality, Mr Max Mosley, FIA president, said. Defending rule changes imposed by the FIA, which this year have outlawed electronic driver aids, such as traction control to prevent wheel-spin, Mr Mosley said there was nothing to link the accidents with the technology ban.

Grand prix drivers are to make their own reassessment of the safety situation at a meeting before the Monaco grand prix in two weeks' time.

Ford and Renault, both major engine suppliers to leading teams, last night supported calls for a further safety review.

An indication that grand prix may now face a period of public controversy came with a strong attack by the Vatican newspaper, L'Osservatore Romano.

High-powered decisions ahead, Page 15

Dollar

Continued from Page 1

held on to this level during early US trading, up from last week's close of ¥161.65.

Near midday yesterday in New York, the US currency was trading weakly against the D-Mark at DM1.643, down from a close of DM1.654 the previous session. The Fed's move to support the dollar against the German currency on Friday came when it touched DM1.645.

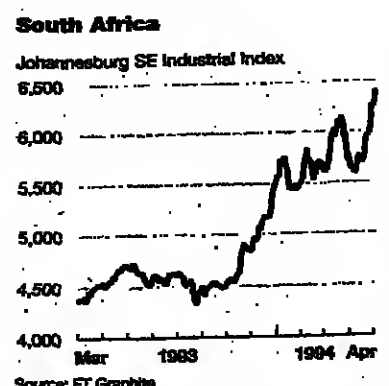
THE LEX COLUMN

Brave new world

South Africa's capital markets are driven by politics and international investors are busy applauding the country's momentous changes. The stock market has surged in recent weeks and the currency has appreciated strongly against the US dollar. Further waves of euphoria seem likely to push both markets to new heights. But when politics is the dominant investment consideration, unpredictability is certain. Several factors are now critical for the future outlook.

If the ANC ends up with more than 80 per cent of the votes, then many will fear they will override the checks and balances of the constitution. If Inkatha were to criticise the elections for not being free and fair, that too would unsettle sentiment. The financial rand's discount to the commercial rand, which provides a yardstick of international investors' confidence, widened to 38 per cent earlier this month when Inkatha threatened not to take part in the elections. It has since narrowed to 22 per cent but similar instability might ensue if any of the leading economic figures were moved aside.

When misty eyes clear, South African markets will at least be partly underpinned by economic fundamentals. The economy seems poised to enjoy a virtuous circle of increased domestic and international investment combined with an upswing in the commodity cycle. Economic growth may reach 3 per cent this year, doubling in the following year. But the chief worry concerns capacity constraints. South Africa's productive asset base has been worn down by years of anarchy. That could produce an upsurge in inflation if demand proves too strong.



Greece's OTE and Germany's Deutsche Telekom are expected to follow in quick succession. The Portuguese and Belgian phone companies may not be far behind.

With such an abundance of stocks to choose from, investors are bound to become more discriminating. But how are they to decide which offer the best value? Yield comparisons are too crude. Tele Danmark's yield is lower than both BT's and the average of the US Baby Bells, but it has much greater scope to rationalise its operations and so increase dividends. European investors are new to the art of making valuation comparisons between telecom stocks. Their US counterparts are more familiar with the techniques which involve looking at a wide range of yardsticks. US shareholders snapped up a high 41 per cent of the Tele Danmark issue. That looks like smart money spotting a good opportunity.

Eurotunnel

This Friday the sun will shine, the bands will play and the Queen and President Mitterrand will open the Channel tunnel. Eurotunnel's shareholders will be mightily relieved, although they will soon be tapped for yet more funds to stave off bankruptcy. The jaundiced would say that proves it never pays to use equity finance to fund massive infrastructure projects. Most UK institutional investors bailed out long ago.

But investors will increasingly have to bend their minds to the discounted cash flow investment models employed by Eurotunnel. Debt-laden governments around the world are considering how to entice private sector finance into infrastructure projects. Corporate financiers are already

chattering about the second wave of privatisation as public projects are transferred to the private sector.

In the UK, the private finance working party, chaired by Sir Alastair Morton, should play an important role in leading the debate. The fundamental challenge is to change the Treasury's culture to permit a more attractive balance of risk and reward for commercial investors. The government may have an important part to play in minimising risks and injecting seed corn funds before a project blossoms. Then such projects could develop into ideal investments for fund managers providing a buy-and-forget utility-style asset. It may not be long before they are comparing the investment merits of Thai roads with an investment trust launched to build hospitals in Staffordshire.

Small Companies

Ever since it announced the closure of the Unlisted Securities Market, the Stock Exchange has been in a bind. On the one hand it remains unconvinced that there is sufficient demand to support a separate market for smaller company shares. Yet it is also afraid of fragmentation. Threats by outsiders to set up a market of their own have been enough to spur Mr Michael Lawrence, the exchange's new chief executive, to action.

The plan to build on the success of rule 55.2 - under which the shares of 236 companies are now traded - is sensible enough. But tighter regulations will be required to satisfy European law and attract institutional investors, on whom the liquidity of the new market will depend. It is far from clear that the exchange will be able to find a formula tough enough to satisfy institutions without re-inventing the wheel. Since it is keen to avoid that trap, a lightly-regulated market of only limited interest to institutional investors is the likely outcome.

The proponents of a separate market may thus be tempted to press ahead with their own plans, on the grounds that a more heavily-regulated market tailored for smaller companies could be made to work under vigorous independent management. But institutional interest is highly cyclical. NASDAQ, the successful US smaller companies exchange, can draw on a far deeper pool of retail investors. The eventual solution may be a pan-European market on the NASDAQ model. For the time being, all sides are trying to make the best of a bad job.

US encouraged by Syrian plan for Mideast peace

By Julian Ozzame in Jerusalem

The comprehensive peace settlement eluding the Middle East appeared to edge forward yesterday as a result of proposals negotiated between Syria and Israel at the weekend.

Israel said it was listening with "great interest" to Syrian proposals delivered to Mr Yitzhak Rabin, the Israeli prime minister, by Mr Warren Christopher, the US secretary of state. Israeli officials said the offer appeared to mark a new recognition on the part of Damascus to discuss Israel's security needs.

However, Mr Mordechai Gur, Israel's deputy defence minister, poured scorn on Mr Christopher's shuttle diplomacy, saying the US secretary of state had failed to deliver anything that would allow Israel to say they were entering more serious Syrian negotiations.

The usually cautious Mr Christopher said the two parties were now "talking on a comprehensive range of issues" and had entered a "new, more substantive phase". A breakthrough in negotiations with Syria remains the key to a comprehensive regional peace accord between Israel and its Arab neighbours, including Lebanon and Jordan.

The initiative emerged after Damascus rejected the idea of an Israeli withdrawal from the strategic Golan Heights, occupied by Israel in 1967, which Mr Christopher presented to President Hafez al-Assad in Damascus on

Palestinian and Israeli negotiators yesterday moved "smoothly" towards completing final details of the agreement on Israeli withdrawal from Gaza and Jericho, set for signature in the Egyptian capital tomorrow, Mr Nabil Shaath, the chief PLO negotiator, said yesterday, writes Mark Nicholson in Cairo.

"We are at the gate of a major achievement for our people and for all the people in this part of the world," Mr Shaath said. He

Saturday, Israel, hoping that tomorrow's peace agreement with the Palestinians will unblock talks with Syria, had offered Syria a three-stage withdrawal from the Heights.

Israeli media reported that Israel had offered to withdraw in three stages over five to eight years. In the first stage, Israel would hand over some territory, including Druze Arab villages, in return for establishing diplomatic relations and security guarantees.

In the second phase, Israel would dismantle Jewish settlements and consolidate security arrangements, including a large demilitarised zone.

The Israeli proposal, which stopped short of offering a complete evacuation of the Heights, was the first time the Jewish state has offered such a comprehensive withdrawal package.

Syria, however, rejected the Israeli proposals. Mr Farouq al-Shara, the Syrian foreign minis-

ter, said there was no reason to believe the ceremony would be delayed and that the final Israeli withdrawal would begin "immediately" thereafter.

The first 1,000 of an eventual 9,000-strong Palestinian police force were due to arrive in Gaza and Jericho by Friday, Mr Shaath said, adding that some Palestinian members of a joint co-ordination team to oversee the transition of police powers left Cairo for Gaza yesterday.

ter, said the Israeli proposals "did not cause any change in the Syrian position. Full Israeli withdrawal is the basis for the peace process." Mr Shara said Damascus would never accept peace in stages and described reports of the early return of Druze Arab villages on the Golan as "a silly proposal".

However, behind the rhetoric, Israeli and US officials said Damascus had formulated an interesting alternative set of proposals in eight hours of meetings with Mr Christopher on Saturday and Sunday. The Syrian proposals will form a basis for talks with further US mediation.

Mr Shimon Peres, Israeli foreign minister, said: "We have heard with great interest the news the secretary of state has brought back with him... to digest and analyse the news we got we need more time."

Palestinians to have right to set up stock market, Page 5

FT WEATHER GUIDE

Europe today

A low pressure area near Ireland will draw cool and rather unstable air inland from the Atlantic, resulting in cloudy skies and outbreaks of rain in the UK and northern France. A high pressure area over southern Scandinavia will promote dry conditions in Sweden, Norway, Finland and central Europe, where temperatures will be near or slightly above normal.

Occasional showers will linger in the southern parts of Greece, while the Balkan states will remain dry and quite sunny. Eastern Europe and parts of Turkey will experience scattered thundery showers.

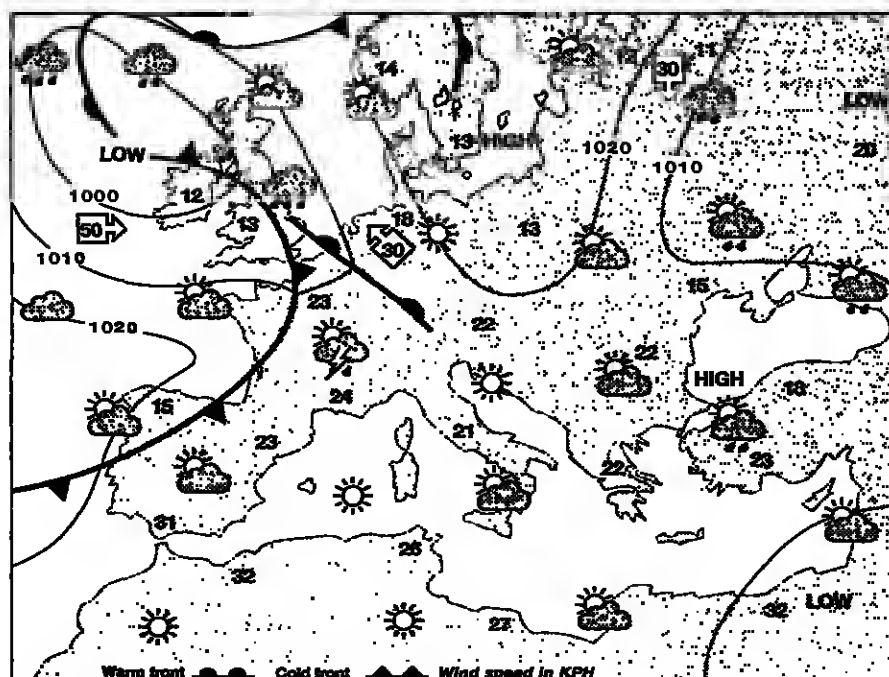
Warm conditions will continue over the western sections of the Mediterranean. Southern Spain will reach 30C once more, but sea breezes will cool the coastal areas.

Five-day forecast

Depressions over the Atlantic will increase their influence over the UK, the Low Countries and France until Friday. Southern Europe will remain mostly dry and sunny as will Sweden and Finland. Central Europe will have unsettled conditions at first, though it will be dry at the weekend. Eastern Europe will continue to be unsettled and cool.

TODAY'S TEMPERATURES

	Maximum	Minimum
Abu Dhabi	sun 31	sun 27
Accra	sun 31	sun 27
Algiers	sun 27	sun 23
Amsterdam	sun 22	sun 18
Athens	sun 22	sun 18
Atlanta	sun 22	sun 18
B. Aires	sun 22	sun 18
Bangkok	sun 22	sun 18
Batavia	sun 22	sun 18



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

Cairo	sun 28	sun 24
Canton	sun 28	sun 24
Cebu	sun 28	sun 24
Colombo	sun 28	sun 24
Dakar	sun 28	sun 24
Dhaka	sun 28	sun 24
Dubai	sun 28	sun 24
Hong Kong	sun 28	sun 24
London	sun 28	sun 24
Los Angeles	sun 28	sun 24
Madrid	sun 28	sun 24
Manila	sun 28	sun 24
Mexico City	sun 28	sun 24
Moscow	sun 28	sun 24
Mumbai	sun 28	sun 24
Nairobi	sun 28	sun 24
Paris	sun 28	sun 24
Rangoon	sun 28	sun 24
San Francisco	sun 28	sun 24
Singapore	sun 28	sun 24
Sydney	sun 28	sun 24
Taipei	sun 28	sun 24
Tokyo	sun 28	sun 24
Ulaanbaatar	sun 28	sun 24
Yokohama	sun 28	sun 24

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FINANCIAL TIMES COMPANIES & MARKETS

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Tuesday May 3 1994



UK bank reveals a City secret

By Robert Peston in London

Lazard Brothers has been forced to tell one of the last great City of London secrets, which is precisely how much capital this most discreet merchant bank has in its hidden reserves and how much profit it makes.

Buried in a footnote to accounts filed at Companies House is the disclosure that it has \$24.75m (\$30.65m) in hidden reserves and total shareholders' funds of £183m. Pre-tax profits in 1993 were £40m.

It has lifted the veil, with the greatest reluctance, because an amendment to the UK Companies Act this year required all British banks to end the practice of making undisclosed transfers to secret inner reserves to disguise true profits and capital.

Most banks dispensed with the practice years ago, but Lazard's coyness in revealing all was probably prompted by a concern that outsiders might be disappointed by what they would see. Its assets are far smaller than British rivals SG Warburg and Schroders and tiny compared with Goldman Sachs of the US.

Warburg had shareholder funds of \$889.4m at the year end of March, 1993, and reported pre-tax profits of £148.2m. Schroders had shareholder funds of \$774.5m at the end of 1993, and reported pre-tax profits of £195.6m.

However, the Lazard return on assets has normally been above average and last year 24 directors and executives earned more than £250,000 each. The chairman, Mr David Verey, received £812,000 in remuneration.

Lazard is part of an international partnership consisting of the more profitable Lazard Freres in New York together with the original Parisian bank, neither of which disclose figures. Pearson, owner of the Financial Times, has an interest in all three siblings.

The UK government enacted the bank accounting reform in anticipation of a change in European Community law. However, to Lazard's great irritation, this EC reform has not materialised. As a result, its continental peers, including Lazard in Paris, can still disguise their profits.

IBM to shake up its PC division

By Louise Kohoe in San Francisco

International Business Machines is to change the senior management of its \$11bn personal computer business which is facing intense competition.

The changes come at a critical time for IBM's PC business, where sales rose 40 per cent last year to achieve a 12 per cent share of the worldwide market, according to market analysts. However, IBM is believed to have lost ground to Compaq Computer in the first quarter.

Mr Robert Corrigan, president of IBM PC, who led a restructuring of the PC

business that has led to a strong resurgence in sales, will retire.

His responsibilities for running IBM Personal Computer go to Mr Richard Thoman, a former Nabisco International and American Express marketing executive who joined IBM last year. Mr Thoman's career moves have followed those of Mr Lou Gerstner, IBM's new chairman and chief executive, who also formerly worked at RJR Nabisco and American Express.

Mr Thoman will now be responsible for the IBM PC company, the Power Personal Systems division, which is

developing a generation of PCs based on IBM's microprocessor technology; and IBM's printer divisions.

In other management changes, IBM assigned worldwide responsibilities to senior executives for marketing, product development and finance. Previously, these duties had been divided along geographic lines.

IBM also announced the appointment of Mr Anthony Santilli, formerly head of product development for the IBM PC company, to general manager of the Power Personal Systems division. IBM said Mr Corrigan had decided to

retire at the end of last year, but agreed to stay on to assist Mr Thoman in the management transition.

Mr Thoman, who has no prior technology experience, is expected to bring a more consumer-focused approach to IBM's PC business. By taking direct responsibility for the PC operations, and effectively eliminating a layer of management, Mr Thoman has also created a direct link between the erstwhile "independent" IBM PC company and IBM's central corporate executive committee, which is responsible for corporate strategy.

Christopher Brown-Humes analyses the power of the Wallenberg empire Keeping Sweden in the family

By Christopher Brown-Humes

The Wallenberg Influence



Peter Wallenberg

If anyone thought the Wallenberg family's grip on corporate Sweden might have been weakened by the country's deepest recession since the 1930s, last week they learned otherwise. The country's most famous industrial dynasty signalled it was back on the offensive when incentive, one of its key companies, launched a \$1bn (\$K1.4bn) bid for the investment group Cardo. A successful strike would give it control of Gambio, a medical equipment specialist and one of Sweden's fastest growing companies.

The impact of this spectacular Wallenberg foray, after several quiet years, has been accentuated by the refocusing strategy just unveiled at Volvo, Sweden's leading industrial group. Volvo has abandoned the empire-building strategy of its former chairman Pehr Gyllenhammar. It no longer makes any pretence to being a counterweight to Wallenberg influence, as it was in the 1980s when the two titans were at each other's throats in their drive for corporate dominance.

"The Wallenbergs are relatively speaking in a much more dominant position today than they have ever been," says one close observer of the family's activities. No doubt it will have given Peter Wallenberg, dynasty patriarch, considerable satisfaction that the Cardo bid came after incentive had first snapped up a 44 per cent stake in the group from Volvo. Volvo used to be one of the few Swedish multinationals from which Wallenberg influence was excluded. Even that changed earlier this year with the appointment of two Wallenberg men to the Volvo board - including its chairman - following Mr Gyllenhammar's resignation last December.

Today the only grouping that provides any sort of counterweight to the Wallenbergs is Svenska Handelsbanken, which through Industrivärden has big stakes in telecommunications giant Ericsson, forestry concern SCA and Aga, the industrial gas group. However, Handelsbanken's influence is modest by comparison.

The scale of the Wallenberg empire is clear from the large number of Swedish blue-chips either directly controlled or influenced. One estimate suggests the family controls as much as 40 per cent of the Stockholm stockmarket or companies with total annual sales of SKr450m.

This strength is entrenched

in a two-class share system which gives one class much bigger voting powers than the other. Hence Wallenberg companies can control 94.1 per cent of Electrolux, Europe's leading maker of white goods, with only 6.4 per cent of the capital. By contrast, foreigners, who have been huge buyers of Swedish shares in the last two years, gain only 2 per cent of the votes in Electrolux with 32.4 per cent of the capital.

The Wallenbergs have shrugged off the Swedish recession and financial sector crisis much more quickly than anyone expected a year ago. In early 1993 Investor, the flagship holding company, was saddled with huge debts and losses within Saab-Scania, its wholly-owned automotive and

	Capital (%)	Votes (%)
Asse	25.0	16.7
Asse	10.2	37.9
Atlas Copco	16.5	25.4
Ericsson	6.4	32.4
Ericsson	43.8	3.4
Ernst	42.7	1.8
Incentive	26.7	5.2
Investor	24.2	10.2
OM Gruppen	20.9	12.5
SE Banken	8.0	19.9
SKF	14.1	40.2
Stora	22.4	18.4

Source: 'Owners and Power in Sweden's United Companies' by Sven-Henrik Strömquist

lowering Mr Gyllenhammar's resignation last December.

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aerospace unit. Many analysts felt a big sale would be needed - possibly the company's stake in high-flying pharmaceutical group Astra - to restore its battered balance sheet.

The big sale never materialised. Debts were driven down sharply, but through a series of smaller disposals, which did very little to erode the group's overall voting power. At the year-end Investor's net debt had fallen to SKr4.85bn from SKr7.7bn. Further strengthening of the balance sheet came in March when the group launched a SKr3.45bn bid for its stablemate ExportInvest in what was essentially a giant share issue.

Incentive's strike for Gambio emphasises a new Wallenberg strategy. It aims to shift the

family's basic industry bias, through investments in forestry, engineering and so on, towards high-growth areas.

Investor's purchase of a 25 per cent stake in TV4, Sweden's only commercial terrestrial television channel, is another example of this trend.

More acquisitive moves will follow, but they will be accompanied by further streamlining as the Wallenbergs respond to intensified competitive pressures across their empire. The sheer range of their businesses, and the need to supply capital to them, will almost certainly force them to be more selective. They are, however, in much better shape to meet the challenge with many of their companies benefiting from restructuring and the weaker krona and with dividends flowing into Investor again on the back of corporate profitability.

The question remains, can it be healthy for Sweden to have one family so dominating the corporate landscape? One commentator has suggested "pluralism in Swedish industry is disappearing and that will influence corporate culture and leadership style."

Surprisingly, perhaps, Wallenberg influence does not stir much controversy because the family is widely admired for taking a long-term investment perspective. It is also respected for having avoided the speculative financial investments that characterised Sweden's bubble economy in the late 1980s. More recently, perhaps, a third factor has come into play. With foreigners owning 25 per cent of Swedish shares - more than double the level of two years ago - the Wallenbergs are seen as a stronghold against a foreign takeover of corporate Sweden.

Worry over Asian securities markets

By Alexander Nicoll, Asia Editor

The World Bank has warned of the risk of financial accidents in Asian securities markets because the pace of investment and innovation in them may be too fast for their stage of development.

Mr Gautam S. Kaji, vice president for East Asia and the Pacific, said the region's economic growth was taking place from a low income level and that financial markets lacked basic infrastructure and regulatory structures. They could only absorb limited amounts of money for the time being.

"Private markets in developing countries are by no means perfect," he told a Financial Times conference in London on Asian capital markets.

"Information is imperfectly and unevenly available, and a market failure in this regard can have the most serious consequences, as the debt crisis taught us all."

He expressed particular concern about the use of structured financing and derivatives in Asia's volatile financial markets, in advance of development of national prudential and legal frameworks.

"It frankly worries me to see people pushing high-tech derivatives in markets that lack even well-developed Treasury bill trading."

The World Bank supported the privatisation programmes of Asian countries, including stock market placements. But Mr Kaji noted that "in a number of these countries, the capital markets are not deep enough to absorb many new placements."

"These markets still lack instruments and experience, not to mention basic accounting conventions and disclosure rules."

Mr Kaji acknowledged however that privatisation issues also helped to deepen and develop stock markets. He urged governments to hasten the development of capital markets especially because they will be needed to help fund massive investment in physical infrastructure to keep pace with rapid economic growth. Emerging markets, Page 24

Markets this week

Starting on page 21

BROWNE MADDOX: GLOBAL INVESTOR

The only survival game at present - and it is hardly an enjoyable one - is to dig hard for the few surprises in future earnings growth that remain. Page 21

PETER NORMAN: ECONOMICS NOTEBOOK

Derivatives have attracted the hostile attention of politicians and regulators after recent bond market turbulence and news of corporate losses. But sophisticated financial techniques can yield economic benefits, especially for commodity exporting countries which can protect their economies from wild price movements. Page 21

Bonds:

After last year's effortless run, the Bank of England may find selling gilts to fund the UK's public sector borrowing requirement more challenging this year. Page 22

Equities:

Market strategists are asking why, at a time of rising dividends, UK equities cannot separate themselves from the troubled bond markets. Page 23

Emerging markets:

Does the downward correction in Asian markets during the first quarter mean a hasty end to foreign investors' enthusiasm for them? Almost certainly not. Page 24

Currencies:

This week could see battle joined between the foreign exchange market and the US Treasury. The dollar will be the focus of attention. Page 24

STATISTICS

Base lending rates	35
Company meetings	20
Dividend payments	20
FT-A World Indices	35
FT Guide to currencies	24
Foreign exchanges	35
London recent issues	35
London share service	36-37
Managed fund service	31-34
Money markets	35
New int bond issues	22
World stock mkt indices	29

This week: Company news

PHILIPS

Close-to-home markets vital to upward trend

Signs of hesitant recovery in Europe should allow Philips, the Dutch electronics group, to report a rise in first-quarter net profit when it publishes its figures for early 1994 tomorrow.

Philips' strong performance in 1993, achieved despite continued economic weakness in Europe, was due mainly to higher operating results in North America and Asia. But the company's ability to extend the upward trend in earnings still depends on the recovery of markets close to home, especially recession-hit Germany.

The first-quarter improvement is expected to rest on a combination of increased demand in some businesses and continued successes in bringing down financing charges through further reductions in group debt.

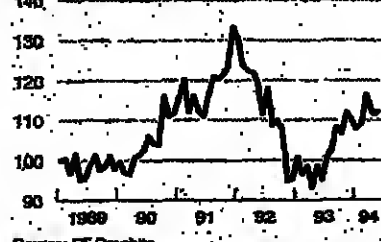
The rise will also be aided by the fact that the 1993 first quarter had been relatively weak, with net profit declining to F1103m (\$64m) from F162m in 1992. Some analysts say an increase to F1200m or more should be possible for the 1994 first quarter, though much will depend on the company's performance in Germany. Grundig, the German consumer electronics manufacturer controlled by Philips, is expected to have remained firmly in the red. At the same time, lower investment in telecommunications in Germany will also probably have continued to plague Philips in early 1994.

The better-than-expected 1993 results, announced in March, have helped propel the company's shares above F155 for the first time since 1987.

The financial markets' confidence in Philips has also been boosted by the company's decision to pay a small dividend for the first time since it embarked on radical restructuring in 1990. This should make it easier for Mr Jan Timmer, president, to face shareholders at the annual general meeting in Eindhoven on Thursday.

Bank of Scotland

Share price relative to the FT-SE-100 Banking Index



Source: FT Graphica

BANK OF SCOTLAND Mortgage operation should boost revival

This week should see the revival of the Bank of Scotland, whose good reputation slipped slightly last year when it announced an 11 per cent fall in pre-tax profits. The results for the year to February 28 on Thursday are expected to reflect both a fall in provisions for bad and doubtful debts, and an increase in pre-provision profits.

Most analysts expect pre-tax profits to rise to £250m-£270m, and forecasts extend up to £285m (\$418m). They are sharply up on the £135m for the previous year of £135.2m.

Last year's figures included a 45 per cent rise in provisions for bad debts. Apart from the drop in provisions, as a result of a fragile recovery in the housing market, the bank has also had an opportunity to reap a full year's benefits from being able to widen its margins in its sizeable mortgage lending operation. That widening was an element in raising the bank's interim pre-tax profits announced last October by 58 per cent to £117.8m.

The cost-income ratio reported in the interim results fell to just below 50 per cent, and could fall slightly further, if it is able to expand its mortgage business.

The bank has been one of those identified as considering buying a building society. This would be one way of accelerating its growth, but the bank will not want an acquisition that would threaten its efficiency.

OTHER COMPANIES

US performance set to boost Electrolux

Electrolux, Europe's leading white goods manufacturer, will show the benefits of a strong US sales performance and a bottoming out in Europe when it presents its first quarter figures on Thursday (May 5). Analysts believe profits could exceed SKr600m (\$76m) for the period, compared with SKr302m last year.

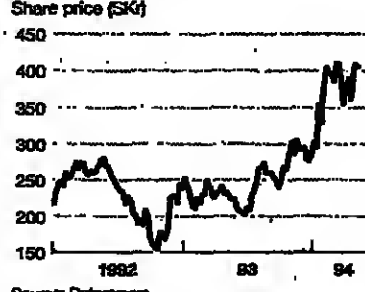
■ Creditanstalt Bankverein: Austria's second largest bank will publish annual results today. These are expected to show a strong growth in earnings for 1993 due to a steep rise in trading activity. The state has a 49 per cent stake in Creditanstalt but over 70 per cent of the vote, and the bank is waiting for the government to decide on its privatisation which is expected this year.

■ BAT Industries: First-quarter figures tomorrow are expected to show a healthy rise from £354m pre-tax to about £385m (\$622m). Despite the much-publicised war on smoking in the US - which BAT defied this week by buying American Tobacco for \$1bn - its tobacco profits may be around the same as last year. The real profits increase will come from insurance, through further recovery by Eagle Star from its upsets in mortgage indemnity and through real progress at Allied Dunbar in the UK and Farmers in the US.

■ BP: The UK based international oil company reports its first-quarter results on Thursday. The weak oil price - \$4 a barrel lower - is likely to be counteracted by benefits from

Electrolux

Share price (£K)



Source: Datastream

cost-savings, strong downstream margins in the US, lower interest charges and a swing back to profits in chemicals. Pre-tax profits will be about £250m (\$365m), against £281m last time and £315m in the fourth quarter.

■ Stora: Europe's biggest pulp and paper group, is today expected to announce profits of around SKr400m (\$51m) for the first quarter, excluding a big capital gain from the sale of its Tarket flooring subsidiary. The group has been able to turn round last year's SKr78m loss thanks to firming prices and cost-cutting.

■ Body Shop: Overseas growth, especially in the US, is expected to boost Body Shop International's final results when they are revealed on Thursday. Pre-tax profits are likely to rise from £21.5m to between £25m and £27m (\$39.4m), with UK operating profits a little ahead of last time's £11.2m. The US should pitch in about £4.5m (\$2m), though this was affected by the move of the headquarters to North Carolina. The dividend should rise from 1.7p to at least 1.85p.

Companies in this issue

AT&T	18	Confederation Life	18	Montedison	19
Abstract Emerging	18	Continental	19	My Kinda Town	18
Abstract Euro	18	Great-West Life	18	Nestlé Rowntree	18
Appleyard	18	Henkel	19	Novell	19
Arcon	18	IBM	17	Rennet	18
Biotechnology Trust	18	Lazard Brothers	17	Roche	1
Brash Holdings	19	Landu	18	Star Mining	19
Cap and Regional	18	MTV	19	Syntex	1
Chesterint Int	18	Midland Assets	18	Tate & Lyle	18

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Acquisition of

Dukes Hotel
from Trafalgar House plc

By

Franklin-Hotels

Equity underwritten by

Hambro European Ventures Hambro Group Investments
Hambros Unquoted Growth Fund (HUGs)

Acquisition and restructuring of Franklin Hotels
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April 1994

COMPANIES AND FINANCE

Rowntree shuffles pension fund team

By Norma Cohen, Investment Correspondent

Nestlé Rowntree, the UK arm of the international food group, has dropped the three external fund managers of its pension fund and consolidated management of the £1.3bn scheme with its in-house investment team.

The external managers were Mercury Asset Management, which had the single largest portion, PDMF and Barings Investment Management. The fund, one of the 50th largest in the UK, will be looking, however, for an external manager for its investments on the Pacific Rim and Japan.

Mr Gordon Thomson, Nestlé Rowntree investment manager, said that following a review the company found that the in-house team had outperformed the combined external managers over

the past six years. He added that the company also wanted to have greater control over asset allocation, deciding what proportion of the scheme should be invested in which assets.

New minimum solvency requirements were likely to require schemes with large numbers of current or deferred pensioners to invest a greater proportion of their assets in fixed-interest securities. Mr Thomson said Nestlé Rowntree had not yet decided whether it needed to restructure its asset mix but would be meeting its actuaries this week to consider the matter.

Mr Thomson said the review followed a consolidation of the Nestlé and Rowntree pension schemes, which had been run separately since Nestlé's takeover of Rowntree with the latter retaining its own internal fund management team.

Retail investors shun biotech trust launch

Retail investors have largely spurned the opportunity to acquire shares in International Biotechnology Trust, recently launched by Rothschild Asset Management.

They have applied for 2.67m shares (with warrants) out of about 25m on offer in the public offer for subscriptions, which closed on April 29.

The disappointing level of applications reflects, and follows hard on the heels of, the applications by institutional and other investors. Here, some £35.1m was raised - less than half the targeted amount. The public element represented about one quarter of the £100m that R&M and Robert Fleming, the sponsor, had originally hoped to raise from the trust's launch. In total only £37.7m was raised.

However, Mr Jeremy Currook Cook, a R&M director and leader of the advisory team, remained bullish, saying: "Against a background of difficult market conditions, the total sum raised... is satisfactory for a specialist fund... and I am confident our timing is excellent."

The trust is to focus on the flurry of recently floated biotech companies, most of which are trading at a discount to their issue price.

Chesterton Intl flotation shows valuation of £50m

By Simon Davies

Chesterton International, one of the UK's leading property consultancies, is to be floated on the stock market in early summer with a value of more than £50m.

It is expected to become the UK's largest listed property agency.

The company will issue a small number of new shares, but the majority of the expected £25m placing will come from outside shareholders - primarily former employees - who own 33 per cent of the company, assuming they are prepared to sell.

Chesterton made pre-tax profits of £9.8m in the year to June 1993, but brokers suggest that profits will comfortably exceed £25m in the current year.

Mr William Wells, chairman, said the flotation was a logical move for a company which has encouraged employee ownership of its shares, and which had also funded the bulk of its

acquisitions through scrip.

Chesterton has acquired 23 property consultancies in the UK since 1985 and around 50 per cent of its UK earnings came from outside London last year. The company was founded in 1905, but its current shape stems primarily from 1985, when it sold its substantial residential estate agency business to the Prudential for "a very nice price".

Mr Wells said the company had "taken the view that you either had to be a small niche business, or a large international player". It opted for the latter.

Last year, around 70 per cent of its turnover came from a broad range of professional advisory fees. The remainder came from brokerage fees, an area which should pick up sharply with the increasing activity in the commercial property market.

Mr Wells said Chesterton had invested £7m in building up its international network in the past few years, and this

should also be a source of growth.

The company has a broad client list ranging from Marks and Spencer to the Crown and Church. The latter has diminished in importance since the 1990s decline in the Church's income producing assets to £2.18bn, mainly because of speculative property losses. Chesterton has been cleared of responsibility.

The timing of the flotation should be good. The only other large listed property consultancy, Debenham Tewson & Chinnocks, trades on a p/e ratio of 25, reflecting anticipated earnings growth as the property market recovers. However, with only 58m of shareholders' funds, Chesterton's assets, as the cliché has it, are its employees. The company needs to show that these assets will not sell their shares and leave.

The flotation is sponsored by Robert Fleming, and Société Générale Strauss Turnbull Securities are brokers.

My Kinda Town heads for the City with £24m price tag

By Simon Davies

The Chicago Pizza Pie Factory and Henry J Beams are coming to the City, through the flotation of the restaurant owner and operator My Kinda Town, which will have an initial market capitalisation of £24.25m.

Around 90 per cent of the company is to be sold off through a placing, and subsequent rights issue, and the directors will retain 10 per cent.

The initial venture capitalists have been bought out. MKT was formed in 1977 with the opening of The Chicago Pizza Pie Factory by the colourful American entrepreneur Mr Bob Payton.

It was followed by the Chicago Rib Shack, Henry J Beams, Chicago Meatpackers, Tacos and Salsas. MKT made pre-tax profits of £1.59m in the year to June

1993, and is forecast to make adjusted pre-tax profits of at least £1.5m this year. The company will have to make a deferred payment of £100,000 to management shareholders if profits exceed £3m in 1995.

MKT has expanded aggressively into Europe, and only 39 per cent of last year's sales were derived from the UK.

It has also built up a substantial network of franchisees, which should account for 20 per cent of profits this year.

It plans to open five new restaurants this year, three in Germany, one in Paris and one in the UK. It currently owns 29 restaurants.

The shares are being issued at 10p and trading will commence on May 9.

The issue is sponsored by Hill Samuel and Credit Lyonnais with Laing acting as broker.

Northern Leisure healthcare sale

Northern Leisure, which has been trying to dispose of RealCare, its nursing homes business, since 1992, yesterday announced plans to sell it to Midland Assets for £1.9m cash.

Midland is a new company chaired by Mr Nicholas Oppenheim, who is also vice-chairman of Northern. It intends to raise £2.4m via a placing and

intermediaries offer of 17m shares at 14p apiece. Thereafter it will seek a full listing.

Mr Oppenheim said RealCare, which made pre-tax profits of £212,000 in the year to August 31, had four nursing homes. He added that a "relatively modest" additional capital expenditure would improve its profitability.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
BAT Industries (UK)	American Tobacco (US)	Tobacco	\$985m	Confirming tobacco commitment
GE Capital (US)	Unit of Northern Telecom (Canada)	Financial services	\$410m	Debt reduction sale
Compass Group (UK)	Carsten Corp (US)	Catering	\$300m	Forced sale by Flagstar
Agco (US)	Massey-Ferguson (UK)	Agricultural machinery	\$228m	Cash + paper deal
RTZ Corp (UK)	Colony Coal Co (US)	Mining	\$160m	Developing coal interests
Airtours (UK)	SAS Leisure (Scandinavia)	Travel	\$74m	Move into new market
Fitzwilliam (Ireland)	Wellworth (UK)	Food retailing	\$45.9m	Lifting share to 47%
Vasa (Argentina)	Vidrios Lirquen (Chile)	Glass	\$20.5m	Pillington/St Gobain JV move
Unilever (UK/Netherlands)	Kaneko-NSC (Japan)	Adhesives & Chemicals	n/a	Buying out Kaneko
Sinemetals (Australia)	GF Denton (UK)	Metals	n/a	Expanding UK operations

Moran in profit with £0.79m

Moran Holdings, the USM-traded tea producer, freight forwarder and property developer which came out of administration in July, reported pre-tax profits of £788,000 for the six months to December 31, against losses of £398,000.

Turnover advanced from £21.8m to £26.7m. Earnings per share were 2.9p (losses 10.01p).

Abtrust Emerging

Unaudited net asset value per ordinary share of Abtrust Emerging Economies Investment Trust, launched by Abtrust Fund Managers last October, stood at \$9.06p at March 31.

That was an improvement from the 95.92p after expenses at the launch.

Available revenue for the period from September 24, the date of incorporation, to end

March amounted to £180,538, equal to basic earnings of 0.36p.

Ramus losses up

For the half year ended December 31 1993 Ramus Holdings, the USM-traded ceramic wall and floor tile subsidiary of Hong Leong Group of Malaysia, suffered pre-tax losses of £2.6m, compared with £1.7m, from turnover down at £17.3m against £22.3m.

Losses included £1.5m rationalisation costs, but lower interest of £257,000 (£405,000).

Abtrust Euro

Unaudited net asset value per share of Abtrust European Index Investment Trust, excluding revenue reserves, rose from 77.5p to 91.2p over the year ended February 28 1994.

Earnings were 0.7p (0.53p) per share from an available amount of £238,896 (£192,040), while the final dividend is increased to 0.8p (0.3p).

Tate & Lyle

The A£121m (£58m) cash offer made by Bundaberg Sugar, the

Australian sugar company owned by Tate & Lyle, to acquire two north Queensland crushing mills, have been allowed to lapse.

This follows a vote earlier this month by shareholders in the South Johnstone Mill who voted against the lifting of the restriction which limits the number of shares which any single investor can hold.

Bundaberg holds a 2.7 per cent stake in South Johnstone - the smaller of the two - but lacks even a small holding in the other, Tully Sugar.

Lendu loss

Lendu Holdings, the Kent-based group involved in irrigated and dryland cotton, cereal and beef cattle production in Queensland, incurred pre-losses of £126,000 for the six months ended December 31.

Exceptional gains of £558,000 together with contributions from a now discontinued activity lifted profits in the corresponding half year to £433,000.

Appleyard buys

Appleyard Group, the motor vehicle supplier, has acquired

Clover Leaf Cars, a Hampshire-based car dealer, for \$9.75m cash.

The company has eight dealerships and in the year to March 31 1993 reported pre-tax profits of £400,000 on turnover of £42.6m. Net assets at the end of the period were £1.1m.

Appleyard reported that the present year had started well with much improved profits. The after market remained strong and used car demand was strong.

Cap and Regional

Capital and Regional Properties has acquired a 24.9 per cent stake in Lanham, a specialist retail warehouse and food superstore developer.

As part of the deal Capital has subscribed to a convertible loan stock and has provided a working capital facility, making a total investment of £400,000.

Capital has also agreed to provide Lanham with a mezzanine loan facility of up to £3m in order that Lanham may retain a number of developments as investment assets.

Arcon cleared to develop mine

By Tim Coone in Dublin

Arcon, the Irish exploration company in which Mr Tony O'Reilly, the chief executive of the Heinz food group, holds a 23 per cent stake, has received final planning permission to develop its 6.2m tonne zinc/lead ore deposit at Galmoy in Ireland.

Once brought into production at an estimated development cost of some £65m (£83m), the mine is anticipated to be one of the lowest-cost zinc mines in the world due to the proximity of the ore to the surface, and will rank alongside Europe's largest.

The reserves have an average grade of 11.31 per cent zinc and 1.12 per cent lead, and will be extracted over a 10-year period.

The directors expect construction work to begin this August or September, and for the mine to come into production in early 1996. Debt financing was being put in place but a rights issue was not ruled out to finance part of the development cost.

NOTICE OF REDEMPTION

U.S. \$100,000,000
DEBARTOLO CAPITAL CORPORATION
9% GUARANTEED NOTES DUE 1996
GUARANTEED BY
THE MITSUBISHI TRUST AND BANKING CORPORATION

NOTICE IS HEREBY GIVEN, in accordance with Condition 6(b) of the Trust Deed dated 28th March, 1994 between DEBARTOLO CAPITAL CORPORATION ("DCC") and THE LAW DEBENTURE TRUST CORPORATION P.L.C., that DCC has elected to redeem all of its 9% Guaranteed Notes due 1996 (the "Notes") on June 5, 1994 (the "Redemption Date") at a Redemption Price equal to 101% of the outstanding principal amount thereof, together with interest accrued thereon to (but excluding) the Redemption Date.

Bearer Notes called for redemption must be presented and surrendered for payment at the specified office of any of the Paying Agents listed below. Each Bearer Note should be presented for payment together with all unattached Coupons appertaining thereto, falling which the full amount of any missing Coupon will be deducted from the sum due for payment.

Registered Notes called for redemption must be presented and surrendered for payment at the specified office of the Transfer Agent or of the Registrar listed below.

Notes and Coupons will become void unless presented for payment within periods of 10 years and 5 years, respectively, from the relevant dates for payment thereof.

PRINCIPAL PAYING AGENT

Chemical Bank
Freitagstrasse 16
CH-8008 Zurich
Switzerland

Kreditbank N.V. Brussels
Arenbergstraat 7, B-1090
Brussels
Belgium

Banque Internationale à Luxembourg S.A.
2 Boulevard Royal, L-2993
Luxembourg

TRANSFER AGENT
Banque Internationale à Luxembourg S.A.
2 Boulevard Royal, L-2993
Luxembourg

REGISTRAR
Chemical Bank
66 Water Street
New York, New York 10041

May 4, 1994
DEBARTOLO CAPITAL CORPORATION

Espirito Santo Financial Holding S.A.
U.S. \$100,000,000

Floating Rate Notes due 1996

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the six month period ending 31st October, 1994 has been fixed at 5.625% per annum. The interest accruing for such six month period will be U.S. \$2,890.83 per U.S. \$100,000 Note against presentation of Coupon Number 7.

Union Bank of Switzerland
London Branch Agent Bank
27th April, 1994

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MFC

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(Incorporated in England and
Wales with limited liability under
registered number 113460)

Deal-Class
Mortgage Backed
Floating Rate Notes
Due 2035

Class A-1 £100,000,000
Class A-2 £100,000,000

For the interest period 29th April, 1994 to 29th July, 1994 the Class A-1 notes will bear interest at 5.60% per annum. Interest payable on 29th July, 1994 will amount to £383.95 per £27,500 note. The Class A-2 notes will bear interest of 5.50% per annum. Interest payable on 29th July, 1994 will amount to £1,446.03 per £100,000 note.

NOMURA ASIAN INFRASTRUCTURE FUND SICAV

6, avenue Emile Reuter
LUXEMBOURG
N.C. Luxembourg B24246

Notice is hereby given to the shareholders, that the

ANNUAL GENERAL MEETING of shareholders of NOMURA ASIAN INFRASTRUCTURE FUND SICAV will be held at the registered office on Friday 6th May, 1994, at 10:00 a.m. with the following agenda:

1. Submission of the report of the board of directors and of the auditors.

2. Approval of the annual accounts and of the statement of operations as at December 31st, 1993 appropriation of the results.

3. Discharge of the directors.

4. Statutory appointments.

5. Miscellaneous.

The shareholders are advised that no quorum is required for the business of the annual general meeting and that decisions will be taken on simple majority of the shares present or represented at the meeting.

In order to attend the meeting of NOMURA ASIAN INFRASTRUCTURE FUND SICAV the owners of bearer shares will have to deposit their shares five clear days before the meeting at the registered office of the company or with NOMURA BANK (LUXEMBOURG) S.A. & av. Emile Reuter, Luxembourg.

The Board of Directors

Equitable Capital DHO Ltd.

Note Interest Rate Resets

Pursuant to the Indenture dated as of October 1, 1990, between the Issuer and State Street Bank and Trust Company as Trustee, notice is hereby given that for the Interest Accrual Period April 28, 1994 to October 30, 1994, the Note Interest Rate applicable to the Senior Notes is 5.4250% and to the Second Priority Senior Notes is 6.3750%.

Interest payable per \$1,000,000 principal amount of a Senior Note on October 31, 1994 will be \$27,878.47 and per \$1,000,000 principal amount of a Second Priority Senior Note will be \$32,750.42.

Union Bank of Switzerland
London Branch Agent Bank
27th April, 1994

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NOTICE OF PARTIAL REDEMPTION TO HOLDERS OF

DOMUS MORTGAGE FINANCE NO.1 PLC

\$100,000,000

MORTGAGE BACKED FLOATING RATE NOTES DUE 2014

Notice is hereby given that in accordance with Conditions 5(b) and 13 of the Notes, the Issuer hereby gives notice to redeem \$800,000,000 principal amount of Notes, selected randomly as detailed below. The date set for the mandatory redemption is the next coupon payment date being, 5 June 1994, and the Notes will be redeemed at their principal amount plus accrued interest. Payment will be made against surrender of the Notes, together with all appertaining Coupons maturing after the date set for redemption at the offices of the Paying Agents, named on the Notes. On and after 5 June 1994, the redeemed Notes will cease to accrue interest.

The amount of any missing unattached Coupons will be deducted from the sum due for payment. Any amount of principal so deducted will be paid against surrender of the relative missing Coupons within five years from the date of payment. The redeemed Notes will become void unless presented for payment within ten years of the redemption date.

The nominal amount that will be outstanding after the Notes listed below have been redeemed is \$24,800,000.00.

The Serial Numbers drawn for mandatory redemption are as follows:

177 203 350 455
642 610 743 872

Principal Paying Agent

Dated: 3 May 1994

Principal Paying Agent

Principal Paying Agent

Principal Paying Agent

Principal Paying Agent

Principal Paying Agent

Principal Paying Agent

Principal Paying Agent

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Principal Paying Agent

Prices for electricity generated by the

provision of the electricity supply and
transmission system in Great Britain
and Northern Ireland for the period
ending 31st March 1994

Prices for electricity generated by the
provision of the electricity supply and
transmission system in Great Britain
and Northern Ireland for the period
ending 31st March 1994

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and Northern Ireland for the period
ending 31st March 1994

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provision of the electricity supply and
transmission system in Great Britain
and Northern Ireland for the period
ending 31st March 1994

Prices

COMPANIES AND FINANCE

MTV to end relationship with Star

By Louise Lucas in Hong Kong and Martin Dixon in New York

MTV Networks, the US-based pop music television programming company, is to launch two wholly-owned channels for the Asian market in the fourth quarter of this year, ending its relationship with Star TV, the Asian satellite television company controlled by Rupert Murdoch's News Corporation.

MTV, a subsidiary of entertainment group Viacom, began broadcasting in Asia in 1991 over the Star TV network with a freely available pan-regional English-language service.

Its advertiser-supported independent service will be launched on the Apsara One satellite, giving access to 18 countries, and will move to the more powerful Apsara Two, to be launched next year, which will expand its access to 30 countries.

One of the networks will be an English language one directed at young people in south Asia, the Philippines and other countries. The second will be Mandarin language service, encrypted so viewers will require a decoder to receive programmes, aimed at countries such as China, Taiwan and Singapore.

MTV's decision to tackle the Asian market independently brings the region into line with Europe, the US and Latin America, where the group has also adopted a go-it-alone policy.

Mr Tom Freston, chairman of MTV Network, said: "The Asian marketplace has enormous potential and is still in the early stages of its development."

Star, which is retaining several of MTV's screen celebrities, will continue to broadcast music with a new service of its own. Programming will split into two versions, one in Mandarin serving China, Taiwan

and Hong Kong and the other in English covering India, the Middle East and south-east Asia.

It says its changes "herald a revolution in music television". But analysts, who are taking an increasingly dim view of Mr Murdoch's \$325m acquisition of 63.5 per cent of the broadcaster last summer, regard it as further evidence that Star is still groping for direction.

Star is reckoned to be losing around \$60m-\$80m a year. Last month it axed the BBC in what was seen as a sweetener gesture to China, a market Star is keen to develop.

AT&T and Novell form alliance in networking

By Louise Kehoe in San Francisco

AT&T, the US telecommunications company, and Novell, the leader in computer networking software, have formed an alliance to create worldwide inter- and intra-company communications services for businesses.

The new service, called AT&T NetWare Connect Services, will combine Novell's widely-used local area network software with AT&T's telephone network to form a global network of business networks, in effect a "business internet", the companies said.

Business use of the Internet, a global network of computer networks with an estimated 25m users, is rapidly expanding. However, concerns about security and the complexity of using the Internet have limited most business use to electronic mail.

AT&T said its new service will address these problems.

Applications will include workgroup collaboration, information retrieval and manipulation, electronic commerce, distributed computing, messaging and fax services.

"Our alliance with Novell is a significant step in expanding the electronic highway on which commerce, business collaboration, and knowledge sharing will ride," said Mr John Petillo, president of AT&T's Business Communications Services unit.

The advent of public data services will enable business customers to avoid the expense of building and operating their own private inter-networks said Mr David Taylor, industry analyst at the Gartner Group, a market research firm.

Modo in share issue

Modo, one of Sweden's leading forestry groups, plans to issue up to 4m new B shares to international investors. The company said that the move would raise SKr1.2bn (\$157m) at current prices writes Christopher Brown-Humes in Stockholm.

Ferfin and Montedison show operating profits

By Robert Graham in Rome

The clean-up costs of the June 1992 collapse of the Ferruzzi family's business empire have reached over L2,400bn (\$1.5bn) - the biggest write-down of a private group's assets in recent Italian history.

But the industrial interests formerly controlled by the Ferruzzi family and now in the hands of banks, which last year agreed to swap debt for equity, have begun to show healthy operating results.

This emerged from the 1993 results of Ferruzzi Finanziaria (Ferfin), the listed holding company of the group now 55 per cent controlled by foreign and Italian creditor banks, which were announced on Friday and those of Montedison, the chief industrial subsidiary, which were released yesterday.

The losses are bigger than originally expected but essentially reflect the need by Mr Guido Rossi, the special administrator brought in last year, to write down inflated assets that massaged Ferfin and Montedison accounts.

Ferfin's consolidated losses totalled L2,419bn, against a 1992 deficit of L1,518bn. These two losses in effect represent the cost so far of the mismanagement of the Raul Gardini era at Ferruzzi which was perpetuated after his divorce from the family business in 1991.

Of the losses at Ferfin, L2,079bn was attributable to a thorough revision of the value of the holding company's assets - both fixed assets and share portfolios. At Montedison, extraordinary 1993 losses were L1,300bn while total net losses reached L1,611bn.

Ferfin debt stock was reduced by L1,382bn to L21,951bn, largely as a result of asset sales. Debt restructuring and recapitalisation helped reduce financial charges. Since the collapse last year, L5,400bn of fresh capital has been pumped into Ferfin and Montedison.

The holding company's consolidated net turnover was up 15 per cent to L22,804bn, generating an operating profit of L1,373bn up 28 per cent. In the case of Montedison consolidated net turnover was up 20 per cent from L16,969bn to L20,415bn with an operating profit of L1,485bn.

The improving trend in operating performance has continued this year and in the first two months the gross operating margin was up 26 per cent at L431bn.

Earnings to rise by 10% at Henkel

By Christopher Parkes in Frankfurt

Henkel, the German chemicals and consumer products group, expects pre-tax earnings to increase by more than 10 per cent this year following a 3 per cent rise in the first quarter.

Such an increase was possible even though the costs of restructuring in the current period could not yet be accurately forecast, Mr Hans-Dietrich Winkhaus, chairman, said.

Reporting a 1 per cent decline in turnover in the first three months, the company based its optimism on its balanced product portfolio and geographical spread.

Meanwhile, there have been few signs of a convincing recovery in Europe, particularly in consumer goods.

Turnover and earnings in chemicals and special chemicals had improved, while the detergents business had become more difficult partly because of reduced consumer spending power.

Previously-announced plans for the loss of 1,000 German jobs would go ahead, as would the progressive closure of five factories and other sites.

Restructuring costs this year would be markedly lower than in 1993, the chairman said.

The main current project, a DM20bn (\$11.6bn) investment in a 70 per cent stake in a chemicals joint venture in Shanghai, is on the verge of completion.

Star Mining \$250m Russian gold investment to go ahead

By Nikki Tait in Sydney

Star Mining, the small Australian exploration company, has signed a protocol in Angarsk, Siberia, which it believed protects its interest in the large Sukhoi Log gold project, and paves the way for its US\$250m Russian investment plan to go ahead.

Star said that "in the light of these very positive developments", it expected to release the first US\$50m tranche of capital to Lenzoloto, the state-controlled Siberian goldminer in which it holds a minority interest, this week. In Sydney, Mr Graeme Ellis, a director of Star, expected the payment to go ahead tomorrow.

Star, which holds a one-third interest in Lenzoloto (sometimes translated as Lena Gold), has pledged to provide US\$20m

of "charter capital" to the Russian joint-stock company.

However, the money has been in an escrow account in Moscow while political uncertainties hanging over the Siberian project were negotiated, and the release of technical information related to Lenzoloto was authorised.

Last year Mr Yevgeny Bychkov, head of Russia's precious metals and stones committee, said foreign companies would be excluded from developing the Sukhoi Log deposit, reckoned to be one of the world's biggest gold deposits.

However, Star said it believed the protocol "will resolve all outstanding disputes concerning the development of the deposit and the re-registration of mining and exploration licences".

It said it was "expressly

agreed" that, while the regional Irkutsk administration and the ministry of atomic energy would participate in the Sukhoi Log development, "this would be done in such a way that Star retains its present shareholding". This amounts to a one-third interest via the Lenzoloto investment.

Although Lenzoloto has operations which produce around 350,000 ounces of gold a year as well as other development projects, these are dwarfed by the Sukhoi Log potential. With the injection of Star's US\$250m, the aim is to raise Lenzoloto's annual production to 2m ounces in six years. About three-quarters would come from Sukhoi Log.

Mr Ellis said yesterday Star was likely to seek a secondary listing on the London Stock Exchange in "the near future".

Brash calls in administrator

By Nikki Tait

Brash Holdings, the Australian consumer electronic retailer and once the nation's largest specialist stores group, yesterday called in an administrator after its main bankers - which include ANZ, Westpac and Société Générale - withdrew their support. Brash's shares were suspended on the Australian Stock Exchange at AS\$2.25. ANZ said recent develop-

ments in Brash's financial condition, coupled with business plans presented by the group last week, failed to provide the banking group with "sufficient confidence" for it to renew a A\$61m (US\$43m) facility. It added that an independent assessment of Brash's condition was thought desirable.

The voluntary administrators will be Mr David Healy and Mr Michael Humphris from Arthur Andersen, the

accountancy firm. They said yesterday that all options for Brash's will be considered, ranging from a return to normal operations to a winding up of the company.

The company suffered a loss of around A\$15m (US\$10.7m) in the year to July 1993, on sales of around A\$706m. It subsequently pulled out of the loss-making book retailing business but still posted a further, and larger, interim loss last month.

Invitation to Tender

Ukraine Opens Its Economy to Investors
- Confectionery Industry -

International Investment Tender will be launched under the

EU - TACIS Programme

on behalf of the

State Property Fund of Ukraine

by an International Consulting Consortium

lead-managed by

COMMERZBANK
Aktiengesellschaft

The Consortium members are Commerzbank AG, Bain & Company, Banco Central Hispano, Price Waterhouse and Squire, Sanders & Dempsey.

The following companies in the Ukrainian confectionery industry are being offered to strategic investors:

● Odessa Confectionery Company

● Ukraina Chocolate Factory, Trostianets

● Zaporizhya Confectionery Company

These companies cover major confectionery segments including chocolate, sugar based confectionery and biscuits. Capacities range from 17,000 to 44,000 tonnes p.a. Interested parties are invited to receive an Application for Tender Materials, beginning

May 5, 1994. Tender Materials for one company may be obtained for 500 USD (plus 100 USD for each additional company). The deadline for submitting bids is 5 pm Kiev time, July 14, 1994 to the below mentioned representatives. For information please contact:

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Commerzbank is a member of SFA

The Markets

THIS WEEK

Global Investor / Bronwen Maddox

Desperately seeking surprises

Towards the world-weary resolution of *The Age of Innocence*, Edith Wharton's classic novel now playing as an award-winning film, the hero and his new bride set off to tour Europe. She buys a wardrobe of gowns in Paris, he picks up a set of suits in London, and they settle onto the boat heading back to the New World, content that they have picked the best - meaning the most predictable - of each country's wares.

Any investors - American or otherwise - who follow that approach to the European equity markets at the moment will find value eluding them. The only survival game at present - and it is hardly an enjoyable one - is to dig hard for the few surprises in future earnings growth that remain.

It is a peculiarly awkward point at which to try to squeeze money into the equity markets. Coming out of recession, companies should have several years of strong growth before threats of inflationary pressures and rising interest rates re-emerge.

But investors have had months - about 18 months in the UK's case - to scour the markets for stocks which should perform well in those conditions. The main question now is whether all of that potential is already captured by share prices.

Of all the European equity markets, Germany looks the most attractive by some way. Recent company announcements have delivered a handful of surprises, already - shares have risen sharply as the figures emerge.

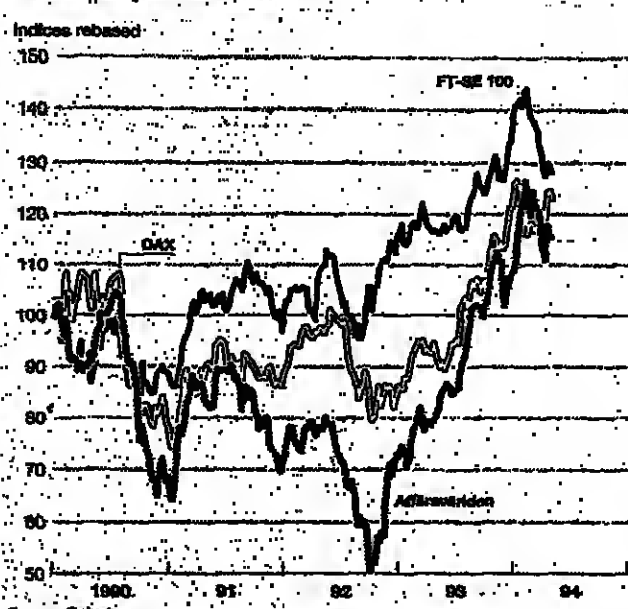
The market's capacity for delivering unexpectedly good results should continue, at least for this year. Surveys show business confidence improving rapidly as exports pick up on the back of American and Asian demand.

Last week five of the country's independent economic research institutes threw their considerable weight behind politicians' optimism about the economy, with a forecast that gross domestic product would grow by 1 per cent in western Germany in 1994 and by 7.5 per cent in the east. Breaking houses, which had typically been sketching in no growth for this year, are upgrading earnings estimates.

The threats to that picture are that the present weakness of the dollar against the Deutschmark restricts exports, and that inflationary pressures could revive. Given the dependence of German companies on bank finance, the equity market has historically been even more sensitive to a rise in interest rates than other European markets.

However, the recent low wage settlements have gone some way to addressing inflationary fears. They have also, as Mr Michael Hughes, currency analyst at Barclays de

Great expectations



Source: DataStream

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Soete Wedd has been arguing, taken some of the strain off the currency.

Exchange rates of DM1.85 to DM1.90 to the dollar by the autumn, which was widely predicted several months ago, now look unlikely. But a weakening towards DM1.75 in the next few months, compared with DM1.65 at the end of last week, still looks on the cards and should ease some of the market's remaining fears.

After Germany, Sweden deserves to be the next stop. With more adventurous financial structures than their German rivals, and with profits more sensitive to export volumes, Swedish companies have tended to offer the attractions - and risks - of Germany, multiplied several times.

The paper and pulp sector may have shown all the performance of which it is capable for some time, but industrial stocks should have further to rise.

Beyond that, the pickings become much thinner. To rely on the constants that underpin the Italian market, such as a fair proportion of savings continuing to make their way into the market (at 18 per cent, the savings rate is Europe's highest), is to allow nothing for disillusionment with the new government.

In the UK's case, the rewards of chasing after growth stocks may now be so elusive that the opposite principles should apply. Investors may well find it worthwhile picking up counter-cyclical, high-yielding shares such as the financial sector instead.

It is hard, with yields on long bonds still drifting up, to see the UK market doing more than tracking sideways, or perhaps edging forwards as dividend growth comes through. According to Mr Edmund Warner, head of strategy at Kleinwort Benson Securities, "the UK market is condemned to a lengthy period of consoli-

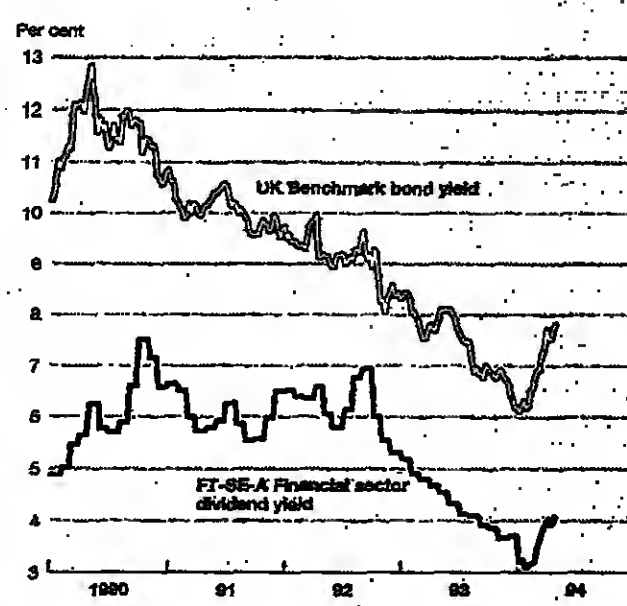
dation while returns to shareholders build".

The markets are now also settling firmly into a view of rising interest rates: three-month sterling contracts are now discounting 8 per cent interest rates in December 1995.

It is becoming increasingly hard to believe that all the earnings growth which is assumed in current valuations will in fact appear. General manufacturing stocks, for example, are on a multiple of some 18 times estimates of 1995 earnings, compared with the All Share Index's rating of less than 13 times earnings.

That is a large premium for a group of companies which trade at a discount to the market at the peak of the economic cycle.

Against that background, the virtues of dividend growth offer considerable appeal. The financial sector, which has that attraction, offers no hiding place from the gloom of



Source: DataStream

the bond markets, it must be said.

The yield on the sector and on bonds have tracked each other closely (see chart). But the past few years suggest that the sector demands only stability in the bond markets, not recovery, to perform better. While it offers few surprises, it at least does not ask that investors pay top prices for earnings.

Boiled in oil

Enterprise Oil's bid for Lamsco apart, oil shares have seen aggressive buying in the past few weeks, driven by the strength of underlying oil prices. There is a case, though, that both shares and futures have gone far enough in the short run.

After the Opec meeting at the end of March, which agreed to maintain output levels, Brent crude touched \$12.70 but has now revived to \$15.30. But views in the market on the direction from here are sharply divided.

Those - like Mr Simon Flowers at Natwest Securities - who think oil could reach \$16 to \$19 a barrel within a year and rise further beyond then, are taking a bet that growth in demand will be enough to soak up the impact of future Iraqi supplies, for example.

At current prices, British Petroleum and Shell Transport are valued on between 17 and 19 times 1994 earnings. Even looking several years out, prices seem to have caught up with events.

The superhighway

It does not take much exposure to the current cable enthusiasm to question the valuations being put on the "superhighway", which will pipe every kind of communication service to our doors.

Last week Telewest, the largest cable operator in Britain, confirmed plans for a global

share offering this summer which could value the company at \$1.7bn. That is based on the reckoning that cable's revenues from delivering television will outstrip revenues from television by the end of the decade.

But investors might well ask whether cable is underplaying the risk that British Telecom will eventually be allowed to provide entertainment over its telephone lines, such as "video-on-demand" - programmes dialled up from a video library.

BT is barred from doing that until at least 2001 by the 1991 Deregulation Act, but that ban will be reviewed in 1998.

If allowed to go ahead, BT would have little of cable's expense of digging up streets - its trunk lines are now fibre optic cable, capable of carrying

Total return in local currency to 28/4/94

	US	Japan	Germany	France	Italy	UK
Cash:						
Week	0.07	0.04	0.11	0.12	0.15	0.09
Month	0.31	0.21	0.48	0.53	0.70	0.44
Year	3.44	3.25	6.69	7.31	10.53	6.19
Bonds 3-5 year						
Week	-0.36	0.21	-0.03	0.87	0.27	0.04
Month	-1.01	0.15	-0.14	0.031	0.94	-0.01
Year	0.42	6.74	6.86	8.17	19.46	5.94
Bonds 7-10 year						
Week	-0.56	0.58	0.10	1.06	0.68	-0.39
Month	-1.28	1.02	-1.10	-0.73	1.45	0.10
Year	-0.16	9.30	6.10	6.67	26.77	7.11
Equities						
Week	0.0	-0.3	2.4	2.8	5.9	0.9
Month	-2.2	-0.7	4.1	0.5	15.2	0.4
Year	5.2	1.5	36.0	18.8	51.5	17.7

Best performing stocks from FT-A World Indices in local currency to 28/4/94

	Close	Week	Month	Year
Banesto (Spa)	1,050	34.4	43.3	-53.2
Golden Plus (Mil)	12.50	28.2	77.3	n.a.
Commerzbank (D)	19.00	20.8	7.0	12.6
Clorox (USA)	50.13	20.0	11.4	167.2
Telecom (USA)	17.00	18.2	-2.2	-13.9
Plato Glass (FSA)	135.0	17.4	22.7	223.4
Novell (USA)	18.83	17.3	-4.5	-38.0
Lotus Dev. (USA)	63.38	16.8	-13.5	164.1
LSI Logic (USA)	22.25	16.3	6.6	104.5
Cons. Freightways (USA)	28.25	16.0	-5.7	53.2

Source: Cash & Bonds - Lehman Brothers. Equities - © NatWest Securities. The FT-A World Indices are jointly owned by The Financial Times Limited, Goldman Sachs & Co., and NatWest Securities Limited.

Economics Notebook / Peter Norman

Derivatives attract some hostile attention

These are tough times for the whizz-kids who make their fortunes at the innovative frontiers of financial markets.

Recent bond market gyrations and corporate calamities, such as the \$102m after-tax charge at Procter & Gamble arising from swap transactions and the near bankruptcy of Metallgesellschaft of Germany after oil futures speculation, have brought derivatives and other sophisticated financial products to the hostile attention of politicians and regulators.

Mr Eugene Ludwig, the US comptroller of the currency, has hinted of tougher controls over US banks' derivatives trading. A week ago, finance ministers from the Group of 10 leading industrial countries agreed on the need to strengthen co-operation in gathering statistics and assessing the implications for the world financial system of "the innovative segments of financial markets".

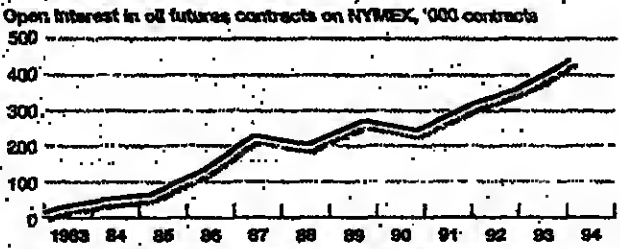
Mr Hans Tietmeyer, the Bundesbank president, and Mr Andrew Crockett, the general manager of the Bank for International Settlements, called in separate speeches last Tuesday for improved disclosure requirements and sufficient capital adequacy standards among financial institutions to underpin their risky activities.

Although Mr Tietmeyer said there was no need for specific new regulation "for the time being", tighter regulation of derivatives seems highly likely. Yet just as markets overshoot and become indiscriminating, regulators and legislators must beware of becoming excessively worried about financial innovation.

But derivatives, such as options and futures, are not just speculators' toys. Derivatives and swaps, which are agreements to exchange specified cash flows such as interest rate or currency liabilities, can yield broader economic benefits.

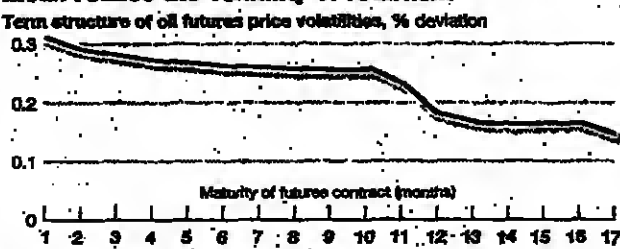
Although Mr Crockett focused mainly on the risks posed by financial innovation, he acknowledged that derivatives, by allowing sophisticated risk management, can improve

Increased use of futures...



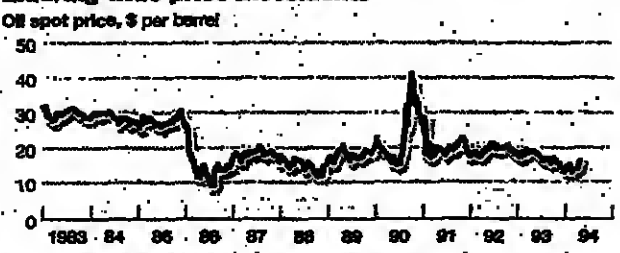
Source: World Bank/Datamatrix

can reduce the volatility of returns...



Source: World Bank/Datamatrix

during wide price movements



Source: World Bank/Datamatrix

the productivity of an investment. They also could contribute to the integration of global capital markets, so improving the global allocation of savings and fostering higher investment levels.

In a recent study, the World Bank has emphasised how market-based instruments such as futures, options and swaps are being used with increasing success to combat the adverse effects of volatile commodity prices on the economies of developing nations.

Commodity exporting countries can suffer large scale shocks through big and sudden changes in the prices of their main products. The World Bank cites the case of the Ivory Coast, an exporter of cocoa and coffee and an oil importer. In the 1970s and 1980s, it suffered six terms-of-trade shocks (two favourable and four unfavourable), each of which moved its gross domestic product by more than 10 per cent.

Such shifts would make economic management difficult enough in an advanced industrial country. In certain poor developing nations they have encouraged policy errors, including big budget deficits and soaring external debts that act even today as a brake on growth.

Traditional means of smoothing the effects of commodity price volatility have yielded scant success. The 1980s saw the failure of several international commodity arrangements that sought to stabilise prices. Domestic stabilisation schemes have a similar poor record and have tended to put a strain on already hard-pressed budgets. Little wonder, therefore, that interest has focused in recent years on market-based techniques such as hedging in commercial futures markets to manage risk.

Commodity futures markets have been around for a long time and are spread across the globe. Only in recent decades have they developed great depth and liquidity, however. The top chart gives one exam-

ple of how dealing in crude oil futures has grown over the past decade. According to the World Bank, the volume of crude oil futures and options traded on the New York Mercantile Exchange now amounts to roughly 200m barrels a day or almost four times world production of crude.

Forward prices tend to be less volatile than spot prices, giving commodity producers an opportunity to reduce the volatility of the price of their output through hedging. The middle chart, based on a study of the oil futures market in the late 1980s, suggests that a producer, routinely hedging 15 months in advance, could cut price volatility by a half.

Governments and corporations in developing countries have taken advantage of exchanges to hedge their commodity exposure. For many years, Ghana and the Ivory Coast have sold part of their cocoa crop ahead of the harvest while Indonesia's rubber and coffee exporters routinely hedge.

Codelco, Chile's state owned copper company, has used financial derivatives linked to the copper price and interest rate hedging instruments. But news earlier this year that it had incurred a \$200m loss in trading on the London Metal Exchange shows that futures trading is not risk free.

However, when finance and development ministers from the world's industrialised and developing nations met in the joint World Bank - International Monetary Fund development committee last week, they gave their backing to the use of hedging instruments in futures markets by commodity producers.

They also supported efforts of the World Bank and other agencies to provide know-how to smaller producer countries so that they could use such markets.

Although the official mood has swung against the young "rocket scientists" who construct and deal in derivatives on Wall Street, governments are still prepared to back sophisticated market practices when they are seen to do some good.

*Global Economic Prospects and the Developing Countries, 1994. World Bank, 1818 H Street NW, Washington DC 20433.

End of Month S.G. Warburg Warrant Valuations

as at 29th April, 1994

Single Stocks	TYPE	CURRENCY	SPOT	STRIKE	PRICE	EXPIRY
BHP	Call	AUD	17.01	19.50	0.96	29th Jun 95
Dao Hong Bank	Call	HKD	23.50	32.00	0.30	25th Jan 96
Hong Kong Electric	Call	HKD	22.80	29.20	0.43	6th Feb 96
Hutchison Whampoa	Call	HKD	31.80	36.00	0.86	21st Dec 95
Hysan Development	Call	HKD	22.60	17.00	7.90	6th Sep 95
Philips Electronics	Call	NLG	54.30	54.18	8.75	8th Sep 95
Saipem	Capped Call	ITL	3840	4246	447	30th Mar 95
Sip	Call	ITL	4740	3832	1483	14th Jan 96
Stet	Call	ITL	6133	4725	1913	14th Sep 95
Baskets						
European Airlines 1	Call	£	477	320	16.62	3rd Feb 95
European Airlines 2	Call	£	477	468.91	9.68	9th Mar 96
UK Banks	Call	£	92	114.75	0.34	1st Jun 95
European Multi-Media 1	Call	£	2224	2028.57	3.39	28th Sep 95
European Multi-Media 2	Call	£	2224	2475	2.15	28th Sep 95
UK Pharmaceuticals	Call	£	88	98.05	0.37	26th Jan 95
UK Support Services	Call	£	88.90	107.50	0.49	2nd Aug 95
UK Water Companies	Call	£	88	104.75	0.24	5th May 95
European Steels	Call	DM	3839	2550	137	12th Jan 95
Italian Industrials 1	Call	ITL	23875	19665	729	31st Aug 95
Italian Industrials 2	Call	ITL	23875	24549	273	31st Aug 95
Italian Recommendation	Call	ITL	440293	489229	783	13th Oct 95
Swedish Capital Goods	Call	SEK	105875	112054	18.12	20th Oct 95
Indo-China	Call	USD	0.97	1.00	0.15	8th Dec 95
Indices						
FTSE Mid-250 Index	Call	£	3781	2900	9.06	17th Mar 95
FTSE Mid-250 Index	Call	£	3781	3470	4.44	17th Mar 95
FTSE Mid-250 Index	Call	£	3781	3670	3.24	17th Mar 95
FTSE Mid-250 Index	Call	£	3781	3900	2.14	17th Mar 95
FTSE Mid-250 Index	Call	£	3781	3945	3.50	17th Jan 96
FTSE Mid-250 Index	Put	£	3781	2900	0.05	17th Mar 95
FTSE Mid-250 Index	Put	£	3781	3470	1.30	17th Mar 95
FTSE Mid-250 Index	Put	£	3781	3270	0.74	17th Mar 95
FTSE Mid-250 Index	Put	£	3781	3900	3.25	17th Mar 95
Relative Performance						
Volvo/OMX	Call	SEK	+32.86%	-10%	456.20	23rd Feb 95
Volvo/OMX	Call	SEK	+32.86%	+0%	382.20	23rd Feb 95
Volvo/OMX	Call	SEK	+32.86%	+10%	315.60	23rd Feb 95

S.G. Warburg

S.G. Warburg Global Equity Derivatives

FOR INFORMATION CONTACT JUSTIN CHITTENDEN ON 071-460 0517 REUTERS PAGE 9/AR5

EQUITY MARKETS: This Week

NEW YORK

Frank McGurty

Investors wary ahead of April jobs data

The calendar this week is dotted with important economic readings, culminating with Friday's report on April employment trends. Anticipation of that data is likely to influence the direction of stocks in every session up to its release.

With the Federal Reserve tightening monetary policy, and its next move to higher interest rates expected any day, the mood is wary. The flat reaction yesterday morning in a seemingly favourable report from the National Association of Purchasing Management suggested further declines were likely as the week progressed.

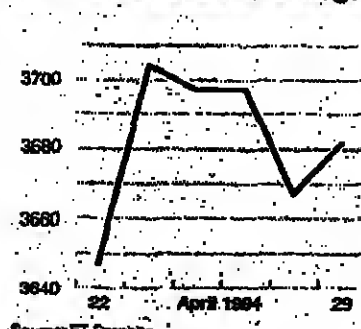
"Greenspan [the Fed chairman] told us basically in February to watch for any scrap of inflation information we can find, so that's what we are doing," says Mr Donald Strassheim, of Merrill Lynch in New York.

Mr Strassheim is forecasting that payrolls increased by 140,000 in April, a gain consistent with second-quarter economic growth of about 4 per cent. But what if business was so robust last month that employers took on even more workers? "The psychology will be one-sided," he says. "I cannot imagine a weak number being terribly troublesome, but a very strong one surely will be."

The inclination to accentuate the negative has been apparent in recent sessions. On Thursday, equity investors were disappointed by the drubbing taken by bonds on the announcement that first-quarter GDP had grown at a weaker than expected 2.6 per cent in the first quarter. Many were apparently convinced the economy had quickened once the harsh winter weather lifted.

Another factor was two worrying readings on prices included in the report. They hit bonds like so many

Dow Jones Industrial Average



Source: FT Graphs

buckets of cold water. "The inflation figures scared people and so they figured the Fed is going to lean even heavier on the brakes and abort the recovery," says Mr Alfred Goldman, of A.O. Edwards in St Louis. Spooked by the prospect of tighter money, equity investors ran scared, too.

Or did they? Sure, the Dow Jones Industrial Average fell 31 points. But the more broadly based Standard & Poor's 500 was only marginally lower. The breadth of the downturn, with 1,275 declining issues against

973 advances, was unremarkable. "In my opinion, stocks handled a very weak bond market very well, except for the Dow," says Mr Don Hays, market analyst at Wheat First Butcher & Singer in Norfolk. He characterises the session as "neutral", pointing out that each successive sell-off in the series since the Fed began raising rates has been milder than the previous one.

Mr Hays expects another significant decline in the next two or three weeks, probably when the Fed decides to tighten again. "That will be the next little test of the market," he says. But in the intermediate term, the analyst is bullish, predicting a big upturn soon thereafter.

Mr Goldman holds much the same view. "I'm looking for three or four more weeks of backing and filling - up a little, down a little - but basically building a base for an interim rally going into the summer."

LONDON

Terry Byland

Decoupling hopes face another test

Hopes for a decoupling of UK equities from global bond markets will be put to the test again this week in a confused-looking stock market. Market strategists are asking why, with increased dividends appearing on all sides, with investors and even the Confederation of British Industries more relaxed on the base rate outlook, with inflation subdued and the market alive with speculation, equities cannot perform better.

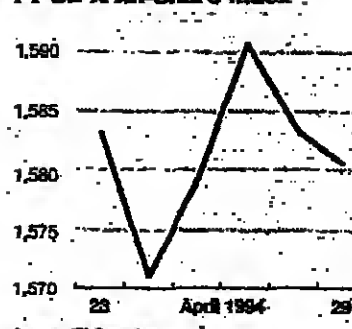
"Above all else, equities need gilt market stability," commented Edmund Warner at Kleinwort Benson Securities. This is easier said than done, in a market which can still move through a range of more than 1 per cent because the European and US bond markets remember that the Federal Reserve may tighten credit again soon.

From this point of view, there are at least some signs of a change of step. On Friday, equities remained relatively steady in spite of overnight weakness in the US, at least until the sudden excitement in the dollar pushed all other considerations into the background and put the Federal bond market back in the driving seat.

Kleinwort Benson remains cautious on the influence on equities cast by the bond markets, which Mr Warner believes relates to the re-rating of future dividend flows following the dramatic fall in bond yields during the recession; the problem was compounded by disappointing corporate earnings. He fears that equities may be "condemned" to a long period of consolidation while investor portfolios readjust and warns that, even if decoupling is on the way, the transition could be painful.

At Strauss Turnbull, Mr Ian Harnett suspects that bonds and

FT-SE-100 All-Share Index



Source: FT Graphs

equities could begin to decouple this week if, as expected, the local elections deliver a drubbing to Mr John Major's government.

This could put sterling under pressure, warns Strauss, and that scenario has historically seen equities rising while bonds fall. The markets have been slow to discount the political factor.

The setback in bond markets has been another adverse factor for property shares. The sector has shown a relative decline of 8 per cent since mid-March as stock market investors have stubbornly refused to believe in a recovery in property shares. But BZW, warning that while rental growth prospects remain weak the sector cannot decouple from bond yields, continues to urge clients to be underweight in the property sector.

BZW is still highly negative on the outlook for UK office property which is underperforming retail and industrial property and likely to continue to do so, according to BZW's Mr David Nighy. He identifies a problem of over-valuing in London and the South-east and believes the sector still under-estimates the significance of obsolescence in valuing properties.

The UK investment bank sees Asda Property Holdings showing attractive net asset value on the back of strong 1993 capital growth rates on both its retail and industrial holdings.

OTHER MARKETS

AMSTERDAM

The Netherlands goes to the polls today and a change of government is expected. Lehman Brothers says that it would be unrealistic to expect swift, radical changes in Dutch politics. Nevertheless, all the serious contenders for a share in governmental power advocate reductions in government expenditure, along with cuts in the cost of real labour and the share of labour in national income.

Lehman says the extensive reforms of government expenditure should be good news for financial markets. Bond markets should react favourably to renewed efforts to reduce budget deficits but on balance, there is probably greater scope for reaction in the equity markets.

DSM, the petrochemical group is expected today to report a return to profit in the first quarter of 1994 after two loss-making quarters in the second half of 1993. Analysts expect net profits before extraordinary items of F115m-50m, against F716m in the first quarter of 1993.

Philips announces first-quarter results tomorrow. Moore Govett forecasts a 52 per cent rise in earnings per share, with higher sales compensating for negative price effects and earnings to be positively influenced by currency effects and lower financial charges.

FRANKFURT

Last week's surprisingly large cut in the repo rate to 5.47 per cent was very encouraging, says James Capel, which notes that over the past two weeks, the rate has fallen by nearly as much as the April 14 discount rate reduction. The broker says a smaller decline in the repo is likely at tomorrow's tender, although the scale of recent falls bodes well for a further cut in the discount rate, probably at the May 26 Bundesbank meeting.

Schering has its annual shareholders meeting tomorrow. The drugs group said last month that sales rose 21 per cent in the first two months of this year and forecast earnings for the year would at least match last time's DM264m.

MILAN

INA, the state insurer, meets today to prepare the ground for its privatisation which is scheduled for late June.

The Italian Treasury has not said exactly how much of the insurance group it plans to sell, although INA executives have said they hoped at least 51 per cent would be offered. The company is seeking a listing in Italy and the US.

RISK AND REWARD

Need for greater clarity on creditworthiness



Last week's introduction by Moody's of specific ratings based on an institution's creditworthiness as a counterparty in the derivatives market highlighted the confusion in over how far existing ratings take account of derivatives activities.

Moody's approach is only one way of tackling an increasingly troublesome issue, which now affects industrial companies and fund management companies as well as financial institutions.

Mr John Kriz, associate director of Moody's, says the agency addresses the effects of derivatives activities on creditworthiness in its existing debt ratings, but greater precision is needed by participants in the derivatives market.

He notes that many market participants apply existing ratings of an entity's debt as if they were general ratings of the entity's creditworthiness. "This assumes a debt claim is on a par with a derivatives counterparty claim," he warns. "Looking at a debt rating as a proxy has pitfalls. The question is whether they are going to honour a financial contract: its a specific type of claim."

He also points out that many entities are not rated at all, but may be members of a group whose affiliates are rated. "People often attribute a rated affiliate's rating to an unrated affiliate. This can lead to extreme misjudgment."

Standard & Poor's, Moody's greatest rival, introduced counterparty ratings in 1991, because of the broadening use of derivatives. However, unlike Moody's, S&P only assigns these ratings on request, arguing that the full cooperation of management is needed for the process to be meaningful.

As a result, S&P has rated only about 50 counterparties (Moody's, on the other hand, plans to assign counterparty ratings to more than 1,000 securities firms, banks, central

Tracy Corrigan

INDICES AT A GLANCE

	Closing price	Percentage change over week	On 12 months	Since Jan 1	High	Low	12 month	High	Low	1994	Low
FT-SE 100	3,125.30	-0.3	-12.1	-8.6	3,520.38	2,784.30	8/5/93	3,520.30	2,784.30	3,086.40	31/3/94
Dow Jones Ind.	3,681.89	-0.9	-7.5	-1.8	3,978.36	3,425.12	29/4/93	3,978.36	3,425.12	3,593.35	4/4/94
Nikkei	19,725.25	-1.2	-3.6	-13.2	21,148.11	19,939.18	20/6/77	20,677.77	19,939.18	17,399.74	4/1/94
Dax	2,245.98	+1.4	+38.3	-0.9	2,267.98	1,603.04	24/5/93	2,267.98	1,603.04	2,020.33	2/5/94
CAC 40	2,176.99	+1.4	+12.8	-4.5	2,355.93	1,835.72	17/5/93	2,355.93	1,835.72	2,081.94	31/3/94
Borsa Com. Ital.	799.47	+2.8	+48.3	-29.0	813.63	508.01	16/6/93	813.63	508.01	588.85	10/1/94

Source: FT Graphs

EniChem

Invitation to present offers for the purchase of the share capital of EniChem Augusta SpA

EniChem SpA, with a fully paid-up share capital of Lire 4,250 billion, having its registered office in Milan, Piazza delle Repubblica, 16, and entered in the Companies Register in the Tribunale di Milano, number 293569, intends to receive and evaluate offers for the acquisition, by a single party, of 84.25% of the share capital of EniChem Augusta SpA (of which 60% is owned by EniChem SpA, 13.05% by Chemfin SpA and the remaining 11.20% by Sofid SpA), or of a lesser amount of shares provided that such amount represents a majority interest in the company.

EniChem SpA will also consider a combined offer submitted by a restricted number of parties acting together. EniChem Augusta SpA has a paid-up capital of Lire 120 billion and is among the leading producers of detergent intermediates in the world. It operates principally through controlling shareholdings in a number of companies with production facilities in Italy and abroad. The group also has research facilities in Italy.

In 1993, the consolidated turnover of EniChem Augusta SpA was Lire 793 billion; the workforce at 31 December 1993 consisted of 1,139 employees (the data are taken from the draft accounts approved by the board of directors of EniChem Augusta SpA on 21 April 1994).

In this transaction EniChem SpA will be advised by M&A Società di Mergers & Acquisitions SpA (M&A), a wholly-owned subsidiary of Swiss Bank Corporation, to whom all enquiries should be referred. Interested parties should contact:

M&A SOCIETÀ DI MERGERS & ACQUISITIONS S.p.A.
a division of Swiss Bank Corporation
Via Manzoni, 43 - 20121 Milan (Italy)
Tel: (39-2) 29002089, Fax: (39-2) 6599217
Mr. D. Levi, Mr. J. Jones

This announcement is directed exclusively to limited liability companies. Interested parties may request in writing, by letter or by fax sent to M&A at the above address, a copy of the information memorandum on EniChem Augusta SpA. This document will be sent to companies which, at the sole discretion of EniChem SpA, are considered suitable to

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Neither this announcement nor the receipt by EniChem SpA of any offers will create on the part of the latter any obligation or commitment to sell to any bidder, nor does it confer on any bidder any right of whatever kind to any other action or performance on the part of EniChem SpA, including the payment of advisors' fees. EniChem SpA reserves the right to withdraw from negotiations at any stage and without giving reasons therefor without incurring any obligation of whatsoever kind.

In the event of any discrepancy, the Italian text of this announcement will prevail over that published in any other language. This announcement and the sale procedure are subject to Italian law. The Court of Milan will have exclusive jurisdiction in the event of any dispute.

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President Ion Iliescu:
Interview and
profile.....Page III

FINANCIAL TIMES SURVEY

ROMANIA

Tuesday May 3 1994

Foreign policy:
Middleweight with a
mission.....Page IV

A wounded country strives to rebuild

There are grounds for hope that the winter of 1993 was a low from which recovery has since begun.
Anthony Robinson and Virginia Marsh report

Romania was the last to fall as communist regimes across central Europe collapsed in the final autumn of 1989. Unlike the bloodless "velvet" revolutions elsewhere in Soviet dominated Europe, the transfer of power came violently. Confused days of fighting in the streets came to a climax in the hall of bullets that killed a loathed tyrant and his even more hated wife, after a Christmas Day trial by a kangaroo court.

Since the execution of Nicolae and Elena Ceausescu, which ended a 24-year reign of tragic absurdity, the 23m inhabitants of this beautiful, potentially prosperous but deeply wounded country have been coming to terms with their painful inheritance.

The task has been complicated by a political transition that left many from the old regime in positions of power, and the absence of a period of reform before the abrupt change of government. While Hungary, Poland and even the Soviet Union were experimenting with market mechanisms and pluralistic political structures, the last decade of the Ceausescu regime was a period of increased megalomania, repression and intellectual isolation.

Behind the screen of a pervasive and brutal security service, the *securitate*, the Ceausescu regime decided to repay all foreign debt, while building a presidential palace of pharaonic proportions, and stunning bad taste, in the heart of historic Bucharest.

Productive investment for maintaining and modernising industry and infrastructure was halted for the best part of a decade, health and education budgets were slashed and food and raw materials were exported. Romanians went hungry and lived miserable lives in unheated, ill-lit homes

and work places. Living standards, already the lowest in Europe apart from Albania, plunged as debt was paid off and the architectural heart of Bucharest was ripped out.

It is hardly surprising in these circumstances that the euphoria over the bloody downfall of the Ceausescu clan was replaced so soon by a sense of disorientation and dismay, as the full extent of the psychological, spiritual and physical damage to the nation became clear.

Perplexity began with the emergence of Mr Ion Iliescu as head of the National Salvation Front which assumed power in December 1989. He had been a leading figure in the previous regime before he fell out with Ceausescu in the late 1970s, but he was elected president with an overwhelming majority in May 1990. He was re-elected in October 1992, even though many Romanians held him responsible for the rampage of hundreds of coalminers through Bucharest only three weeks after the May 1990 election.

The failure of Mr Petre Roman, the prime minister, and his young reformist colleagues to resign in protest against the miners' bloody assault on intellectuals and selected opposition leaders, weakened the position of the younger generation of political leaders. They had the courage and energy to begin the reform process against daunting odds, but were dismissed in September 1991 after a second miners' excursion to the capital.

Mr Iliescu, a shrewd, if cynical, judge of his countrymen's political awareness, increased his own grasp on power after the departure of Mr Roman and was re-elected president with quasi-Gaullist powers in the 1992 presidential elections. At the same time his party, the Democratic National Salvation Front, since renamed as the

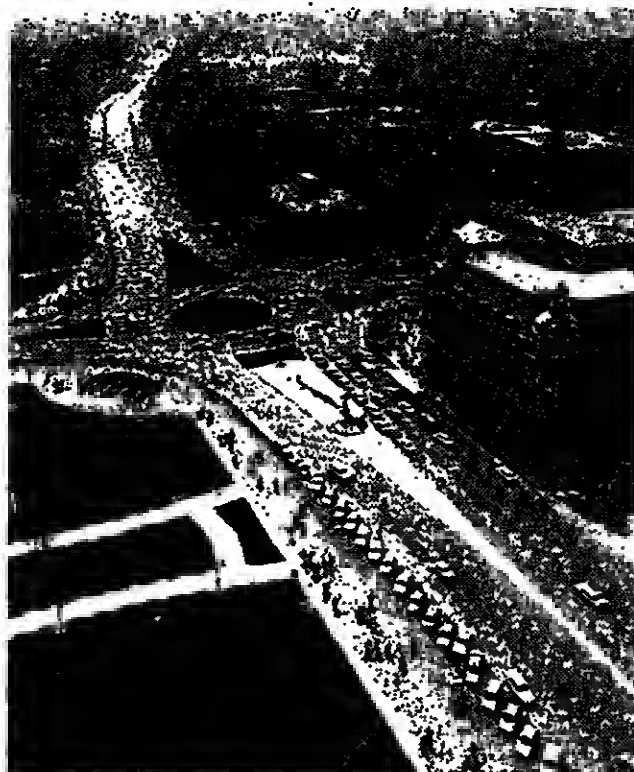
Party of Social Democracy of Romania (PSDR), was confirmed as the linchpin of the political system. It won 23 per cent of the votes cast at the parliamentary elections, compared with the 27 per cent share won by the Democratic Convention (DC) - a loose 18-party coalition of the centre-right, including the ethnic Hungarian party.

The coalition is headed by Mr Emil Constantinescu, an academic. Mr Roman's hived off National Salvation Front, since renamed the Democratic Party, won 10 per cent. After the elections, the president tried to put together a grand coalition government to provide a stable parliamentary platform for the difficult reforms required to restructure the economy and create the middle class needed to underpin social progress.

The move was repulsed by the "democratic" opposition, and Mr Iliescu's political allies in the PSDR were obliged to accept a parliamentary alliance with the Socialist Labour Party (the renamed communist party) and two xenophobic nationalist parties.

The nationalist bedfellows are the Romanian National Unity Party (RNUF) led by Mr Gheorghe Funar, the anti-Hungarian mayor of the ethnically mixed Transylvanian city of Cluj, and Romania Mare, the ultra-nationalists led by Mr Corneliu Vadim Tudor.

The president picked Mr Nicolae Vacaroiu, a former middle-level hureucrat from the communist central planning bureau, as prime minister. The result has been a mediocre government of drift and indecisiveness, while talent has drained abroad or into the private sector, which has been steadily growing despite the slow pace of formal privatisation. The emergence of half a



Bucharest: the architectural heart of the city was ripped out

million small private enterprises is one of the most encouraging signs of renewed economic vitality.

But, with political power mainly in the hands of men over 50 brought up in the communist school, foreign investors have held back. International financial institutions have also delayed granting the loans that are so badly needed to finance structural modernisation and infrastructure development.

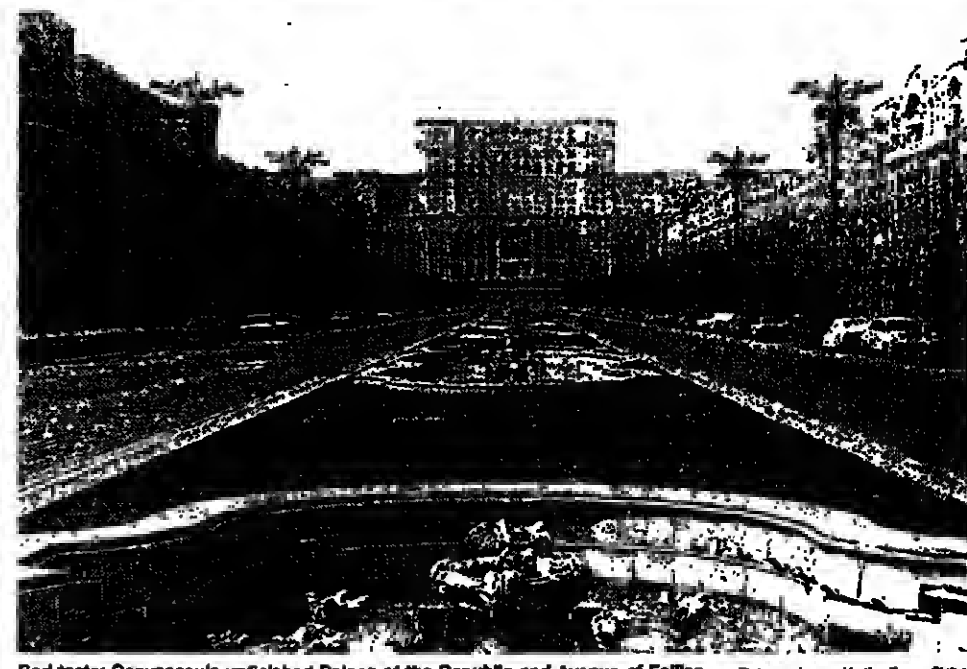
There are grounds for hope that the winter of 1993, when the Leu sank to record levels against the dollar and inflation reached an annual rate of nearly 300 per cent, was a low from which recovery has since begun. If this is so, it is largely due to steady pressure from the international financial institutions and Mr Mugur Isarescu, governor of the National

Bank of Romania, who appears to be backed by President Iliescu himself.

The central bank's tight monetary policy has led to the emergence of positive real interest rates, a stronger Leu, a sharp decline in inflation and a convergence between the black market and official foreign exchange rate.

The convergence has allowed a free-floating foreign exchange system to be established, which will meet one of the International Monetary Fund conditions attached to the granting of a new standby agreement.

On April 5 the World Bank board approved a \$175m loan



Bed tests: Ceausescu's unfinished Palace of the Republic and Avenue of Flowers

for a petroleum sector project. The bank also disbursed the \$180m second tranche of a structural adjustment loan last month and is prepared to lend around \$400m annually over the next five years.

Such lending, which is conditional on continuing privatisation and on market reforms, will be backed up by additional funding from the European Investment Bank and the European Bank for Reconstruction and Development (EBRD). The latter has been particularly active in Romania, especially in helping to finance the commercial banking system.

At the same time, there are signs of growing foreign investor interest in Romania, which is the second largest country in the region after Poland and possesses considerable natural resources including oil, gas, fertile soil and a largely untapped tourist potential.

Romania has an association agreement with the European Union, enjoys a restored most favoured nation (MFN) status with the US and proximity to Middle East markets. It is also a member of the potentially fast-growing Black Sea economic zone.

Progress is, however, slow. Only \$800m of foreign equity investment has flowed into Romania over the last four years, small beer for a country which is the largest in the Balkan peninsula. Hungary, with only 10m people but a sophisticated business class and market infrastructure, has attracted more than \$5bn in the same period.

Established investors include Shell, Amoco, Enterprise Oil and Canadian Occidental, who are busy exploring both on-shore and off-shore oil and gas deposits, and European and US consumer goods multinationals such as Coca-Cola, Colgate, Palmolive and Kraft Jacobs Suchard.

The government, prompted by Mr Mircea Cosma, the minister for economic reform, is introducing new legislation which offers especially attractive terms to those investing over \$50m in the country.

The first to benefit from the new law should be Daewoo, the South Korean industrial group, which plans to invest more than \$1bn in a series of projects.

The biggest is a \$156m car assembly joint venture with Olcit, formerly the assembler of Citroen models under licence from the French car company.

But much hangs on the government's ability to convince Romanian entrepreneurs and the international financial institutions and investors that it is fully committed to speeding up the pace of privatisation, reducing the dead weight of over-sized and obsolescent industries and encouraging the emergence of more efficient private farming and privately run service and production companies.

With real incomes an average 40 per cent below the already pathetic levels of 1989, and unemployment destined to rise well above the current 11.5 per cent of the work force, the patience and fortitude of ordinary Romanians have been dangerously stretched.

A way still has to be found to bring into government and economic management a younger generation less marked by the communist past and more receptive to the needs of an open society and competitive economy.

Chrystia Freeland and Virginia Marsh explain a two-sided economy

Twilight of the monoliths

Bucharest's monument to Nicolae Ceausescu's megalomania, the People's Palace, is so vast it is visible on satellite pictures.

It devoured as much as 10 per cent of the country's GNP during the 1980s when many of Romania's 23m inhabitants lived in the dark after 10pm, because electricity was rationed while average food consumption was among the lowest in Europe.

Yet less than half a mile away from the People's Palace, and the socialist moonscapes which surround it, once elegant pre-war buildings adorn narrow streets bustling with busy side-walk cafes and window shoppers cheerfully admiring high-heeled shoes and frilly skirts.

The People's Palace and the re-emerging retail districts embody the two disparate sides of the Romanian economy, now locked in a struggle over the future of a country which has the potential to be the economic engine of the Balkans.

On one hand, Romania is still a hostage of Ceausescu's particularly brutal brand of socialism, the most austere and centrally planned in Eastern Europe apart from Albania. Under Ceausescu, Romania pursued a particularly pig-headed version of socialist autarky. It focused on heavy industry, which rose to 59 per cent of industrial production, and the construction of the monolithic factories beloved by central planners.

In 1990, factories employing more than 2,000 people accounted for nearly two thirds of the workforce. This legacy of unwieldy heavy industry, the sector which all post-communist countries have found most difficult to reform, means that in many ways Bucharest's economic dilemma bears more resemblance to the difficulties faced by the former Soviet republics to the east than those being resolved by the Visegrad countries - the Czech Republic, Hungary, Slovakia and Poland - on Romania's western flank.

In the four years since the fall of Ceausescu's regime, however, a private sector econ-

omy has emerged which now employs more than a quarter of the nation's labour force and dominates agriculture, traditionally Romania's mainstay.

Since the collapse of the Iron Curtain in 1989, Romania has returned to its historic place at the back of the East European pack. While neighbouring Hungary and the Czech republic last year reduced their double digit inflation, Romania's prices rose to an annual inflation rate of 295 per cent.

It was a sad relapse for a country that, in the immediate aftermath of the Ceausescu regime, established a framework for market reforms among the most impressive in Eastern Europe. "Petre Roman's administration, the first government after the revolution, brought creative destruction. The second government, under Theodor Stolo-

jan, introduced rigour," explains Mr Dan Pascariu, head of a new Greek-Romanian bank, backed by the European Bank for Reconstruction and Development, launched last month. "But the third, current administration of Mr Nicolae Vacaroiu brought stagnation," he adds.

The administration led by Mr Roman and Mr Stolojan, which lasted until the September 1992 elections, privatised agricultural lands, began price liberalisation and introduced the legal framework for mass privatisation of Romania's 6,300 state enterprises. But the seeds of reform have lain fallow since the coalition of former communists and right wing nationalists was formed under Mr Vacaroiu's stewardship after the elections.

Mass privatisation, vigorously pursued in Poland, the Czech republic and even Russia, has hardly begun in Romania. The government is still talking about establishing a stock exchange later this year. Macro-economic stabilisation, which appeared within

grasp 18 months ago, was sabotaged by the government's failure to improve financial discipline on loss-making factories and to introduce positive interest rates.

Frightened by the prospect of hyper-inflationary free-fall and hobbled by the refusal of the International Monetary Fund to extend new credits until Bucharest proved its ability to impose financial discipline, Romania now appears to have a second chance. The tight monetary policy pursued by the country's technically polished central bank over the past few months appears to be working. Interest rates, highly negative for much of 1993, are now determined by weekly credit auctions and are strongly positive. By mid-April short-term rates had risen to the equivalent of several hundred per cent annually.

As a result, inflation fell

sharply over the first quarter of 1994 to less than 7 per cent a month by March before a blip caused by higher domestic energy prices. The fierce squeeze on short-term interest rates has helped the central bank converge the official exchange rate with the black market rates, while rising exports have helped to boost reserves. This combination has helped create the pre-conditions for internal convertibility of the lei to move from the realm of theory to practical implementation.

There is still a danger, however, that the blighted economy inherited from Ceausescu, and the slowness in implementing structural reforms at the micro level, could undermine the country's promising macro-economic stabilisation.

The question Romania will face over the next few months - a local version of the issue which dominates all debates about reform in post-communist economies - is the extent to which a tough and successful macro-economic policy can overcome, or perhaps serve as

a catalyst for, deeper structural reforms.

The immediate outlook is fairly gloomy. At the heart of the problem is the manner in which loss-making state enterprises, dominated by heavy industry and the energy sector, have evaded the central bank's tight monetary policy by amassing enormous inter-enterprise arrears which are believed to exceed 4,200bn lei (\$2.5bn), more than the entire budget expenditure in 1993.

Prevented by positive interest rates from subsidising their inefficiency by borrowing money from the banks, large state enterprises have continued to conduct business as usual, with one exception. Instead of paying each other, they have become wrapped in an obscure web of inter-enterprise indebtedness.

"In normal countries bankers speak of M0, M1, M2 and M3," means Mr Razvan Temesan, the chairman of the Banca Romana de Comert Exterior. "But here in Romania we have invented another category: 'M-question mark', representing the unquantifiable inter-enterprise arrears."

This increasingly shaky pyramid of inter-enterprise arrears will, within the next few months, compel Bucharest to address the tough question at the heart of market reforms. Will it bail out the loss-making giants, and shelter the country's fragile macro-economic stabilisation? Or will it allow the mountain of debt to come tumbling down, dragging with it spend-thrift factories and risking high unemployment and social unrest?

Continued on Page 2

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A fresh attempt at privatisation is planned, writes Virginia Marsh

Success story needed

Reformers are hoping that this summer's planned public offer of up to 10 state companies will re-launch Romania's privatisation programme which last year ground to a halt after becoming the focus of political battles between reformers and conservatives.

"We hope to involve as many people as possible in the public offer and to create a critical mass behind privatisation after a year of inactivity," says Mr Adrian Nitu, vice-president of the Private Ownership Fund (POF) in the western Banat-Crisana region, one of six funds which own and manage the 6,300 companies earmarked for privatisation under a 1991 law.

"We've deliberately chosen

If the offer goes ahead, Romanians will, for the first time, be able to exchange privatisation vouchers

very attractive firms - our first choice is a furniture company - as we badly need to give the public a privatisation success story."

If the offer goes ahead, Romanians will, for the first time, be able to exchange privatisation vouchers - distributed free to all adults in 1992 - for shares in state companies.

The vouchers, or Certificates of Ownership, represent the population's 30 per cent share in the 6,300 companies and are held by five regionally-based POFs. The state's remaining 70 per cent is held by the State Ownership Fund (SOF) in Bucharest.

The aim is to follow up the public offer with the launching of a stock exchange later this year. A securities commission has already been set up, under the aegis of the finance ministry, while in March, parliament finally began to discuss the securities law, drawn up with Canadian help in 1992.

The public offer and stock exchange projects are among the first joint projects in which all bodies involved in privatisation - namely the six funds, the government's economic reform council and its co-ordinating body the National Agency for Privatisation - have co-operated.

Relations between the different groups were tense last year, partly due to the appointment of Mr Emil Dima, a conservative senator in the ruling Social Democracy party, as president of the SOF.

Under Mr Dima, the SOF last year pursued management and employee buy-outs as the main method of privatisation, invested privatisation proceeds in decapitalised, loss-making state companies, set on plans to close down or restructure large, highly unprofitable enterprises blacklisted by the government, appointed party loyalists to company boards and management, and refused to decentralise power to the POFs as provided for under the privatisation law.

The result was that just 250 mainly small companies were privatised, well short of the initial target of 800,000; the rate of foreign investment in Romania dropped and, in 15 months, the SOF went through three general managers who were either sacked by Mr Dima or were unable to get along with him.

However, since the appointment of Mr Constantin Dumitru in February, the situation has improved. Mr Dumitru, 54, a communist-era deputy minister of machine-building, appears determined to make the privatisation scheme work and to have more political clout than his predecessors.

He is co-operating closely with the POFs on the public offer and has worked out a draft mandate giving the five funds the right to negotiate sales of 100 per cent of companies on behalf of the SOF. He has also signed an agree-

ment with the European Bank for Reconstruction and Development under which the bank will analyse 25-30 medium-sized companies, short-list 10-12 and appoint a western merchant bank to find foreign buyers for them.

Mr Nitu of the Banat-Crisana POF, however, fears privatisation will remain highly politicised. He says the POFs' recently-appointed new boards, are "small parliaments", representing a cross-section of the political spectrum.

He points out that Mr Dima remains head of the SOF, even though asked on several occasions by the government and reportedly also by President Ion Iliescu to make a choice between being a senator and

Mr Dumitru says unco-operative managers are one of the biggest obstacles to privatisation

SOF president. He is also concerned by plans to extend the MEBO methodology to medium-sized and large companies.

The fear is this will enable the former communist nomenclatura at the head of state companies to retain control of much of the economy. Mr Dumitru says unco-operative managers are one of the biggest obstacles to privatisation.

There are also many corruption cases involving company officials. Typical frauds include managers or their friends and family setting up private trading companies to handle a state company's inputs and output. Huge profits can be made by overcharging the state company for its raw materials and underpaying for its goods.

Analysts fear such companies account for a not insignificant part of Romania's emerging private sector which, in just four years, has risen from nearly zero to contribute 25-30 per cent of GDP, 55 per cent of

retail sales and 30 per cent of foreign trade.

The private sector already employs more than a quarter of the 10.5m workforce - mainly in agriculture - and comprises more than half a million companies or registered entrepreneurs and family associations.

Many private companies, however, have now accumulated enough capital from trade to move into production or services. Mr Mike Hicks, deputy head of the EBRD's Bucharest office, says that in the past two years the bank has looked at private sector projects in, for example, ceramics, glass, wood, furniture, bakeries, mineral water bottling, yoghurt-making, tourism, construction, computer software, plastics and textiles.

Outside the capital, the private sector is most active in Transylvania, Romania's ethnically-mixed western province, and in Constanta, the Black Sea port and tourist region.

Mr Hicks says: "Romanians are natural entrepreneurs... Good people are moving from the state sector into private business. The private sector has its own dynamic - there is definitely an impetus building up."

However, many private sector projects are too small for direct EBRD participation. The bank has therefore opened credit lines at local banks for lending to small and medium-sized companies and for projects in agriculture.

It has also taken equity stakes in three new local banks which concentrate on private sector lending. These include the Ion Tiriac Bank, set up by the Romanian-born tennis star, and a joint venture with Wasserstein Perella, the US boutique bank.

But private entrepreneurs say high taxes, prohibitive interest rates and limited access to credits are starving them of capital for medium or long-term investments.

Corporate and income tax rates are 45 per cent and up to 60 per cent respectively, while in the autumn, lending rates soared to 180 per cent at the central bank's weekly credit auction. The move was an emergency measure to bring down 300 per cent annual inflation but it forced many small, private businesses to shelve investment plans.

The hope is that in 1994 a more stable macro-economy and greater efforts to privatise or restructure loss-making state companies will free more resources for private business.

THE UNIONS

Slow reforms threatened

"We have a saying in Romania - you can't cut a cat's tail in stages. That is why we must implement market reforms more rapidly," says Miron Mitrea, a well-dressed, well-built, chain-smoking man.

"I very, very strongly support privatisation - the faster, the better."

Equally ardent followers of the market can be found throughout eastern Europe. But coming from Mr Mitrea, who also supports the central bank's tight monetary policy, praises the toughness of the International Monetary Fund and is not overly worried

Romania's two leading trade unions held a national strike to protest at the government's failure to privatise more rapidly

about unemployment, these accolades for economic reform have a distinctly surprising ring.

For Mr Mitrea is the president of the CNSLE-Fratia, which, together with the Alfa Cartel, Romania's other main trade union block, represents 5.5 million people - more than half of the country's workforce.

Dismal television pictures of coal miners from the Jin valley brutally beating student protesters in June 1990, won trade unions international notoriety as the rough enforcers of an ex-communist government's continued rule.

This is, however, a distorted image.

Romania's two leading trade unions are strong advocates of market reform, and at the end of February held a national strike to protest the government's failure to privatise more rapidly or to reform the social security system.

But Mr Mitrea, who was an engineer in a construction company before the 1989 revolution inspired him to organise the truck drivers in the company into a trade union which they elected him to lead, is afraid that the sluggish pace of reforms in Romania may be wearing out the patience of rank-and-file members.

"The attitudes of our membership towards economic reforms are changing in a negative way, and we, their leaders, do not know what to do about it," Mr Mitrea said.

"Three years ago it was easy to explain why we were pro-reform. Reform meant a good economy and good jobs."

"Now our members say this 'good economy' is good for nothing."

Although Mr Mitrea is confident that in the short-term the union's progressive leadership will prevail over the populist instincts of some of its members, he worries that eventually Romania's unions might turn against economic reforms.

If that does happen, Mr Mitrea will probably no longer be in charge.

Mr Mitrea, who many believe will opt for a career in



KEY FACTS

Area	239,077 sq km	
Population	22.78 million	
Head of State	Ion Iliescu	
Currency	Romanian Leu	
Average Exchange rate	1992 \$1=307.95 lei	
Average Exchange rate	1993 \$1=760.05 lei	
ECONOMY		
	1992	1993
Total GDP (bn lei)	5,982	18,835
Real GDP growth (%)	-15.4	+1.0
Average inflation rate (%)	210.4	258.0
Ind. production growth (%)	-23.3	+1.3
Gross external debt (\$bn)	3.5	4.5
Reserves minus gold (\$bn)	826	1,005
Govt. budget balance (%)	-3.6	-2.0
Current account balance (\$bn)	-1.5	-1.3
Exports (\$bn)	4.4	4.5
Imports (\$bn)	5.6	5.2
Trade balance (\$bn)	-1.2	-0.7
Main trading partners (%)	Exports	Imports
Germany	13.8	15.9
Russia	4.3	12.7
EC	40.0	44.0
Note: Percentage share of trade in 1993.		
Source: European Government, IMF, EIU.		

Note: Percentage shares of trade in 1993.

Sources: Romanian Government, IMF, EIU.

politics, is pushing for the entire leadership of the union, including himself, to resign to make way for a new generation.

"War needs one kind of gen-

eral, peace needs a different kind," Mr Mitrea says.

"Our revolution is over, but by nature I am a war general."

Chrystia Freeland

Profile of an entrepreneur

A fighter's comeback

Teodor Nachescu's career as a top communist boss came to an abrupt end in December 1989 when angry workers turned him out of Aris, the machine-building factory in Arad which he had headed for the last ten years of the Ceausescu regime.

It did not take long for the 50-year-old engineer - a self-proclaimed fighter - to make a comeback. Within months, he was using the entrepreneurial skills which he had gleaned while at Aris, one of the town's two largest firms, to set up his own

private company.

Today, he heads one of the most successful private groups in Banat, Romania's westernmost region. Avi Floria, the company he set up with his own small savings and those of 14 like-minded individuals in 1990, now has an annual turnover of Lei1.5bn (US\$1.4m) and more than 100 shareholders. Its interests range from pig and fur farms to a laboratory providing scientific analysis for farmers and a share holding in the town's recently established commodities exchange.

"I was more prepared than others in 1989," he says. "With Aris, I had the chance to travel and to see how companies in western countries worked... I became convinced that a system based on state property could not lead the economy forward."

Like many of eastern Europe's most successful entrepreneurs, Mr Nachescu and his partners started in trade in order to accumulate capital for production.

Taking advantage of Arad's close proximity to the Hungarian border, in 1990 Floria began to barter Romanian fertilisers, wood, furniture and machines for food, car batteries and agricultural machinery imported from Hungary and the west. By the autumn of 1991, the com-

chicken-raising because of the quick turnover.

Every seven to eight weeks, Floria's farm outside Arad produces 90,000 chickens of 1.3kg average weight, raised from one day chicks. Mr Nachescu says his prices are the lowest in Banat and that although Floria is smaller than state-owned chicken companies, it already has a 13 per cent market share in the area.

Plans for this year include a Lei200m investment in a new 25,000 head pig farm and an animal feed plant. He had hoped to invest more this year but last autumn's interest rate rise to 120 per cent a year forced him to cut back.

Now he is considering applying for a dollar loan with single digit interest from the local Banca Agricola. This operates \$170m in credit lines for small farmers on behalf of the World Bank and European Bank for Reconstruction and Development.

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Twilight of monoliths

Continued from Page 1
strate. Even if, as seems likely, Romania's crippled industrial giants are allowed to continue lumbering along, the private sector is already beginning to come to the nation's rescue.

Some of the most hopeful developments are in the countryside, where 80 per cent of land has been privatised, albeit in a chaotic fashion described elsewhere in this survey.

The other point of light, or more precisely half a million points of light, is provided by the new businesses which have emerged since 1989. Although only 1 per cent of the state economy has been sold off under privatisation, Romania now boasts 500,000 private enterprises.

The private sector will receive another boost if the government makes good on even a fraction of its promise to the IMF to privatise 2,000 companies by the end of 1994.

Under the leadership of its new boss, Mr Constantin Dumitru, a communist-era deputy minister, the State Ownership Fund, which currently owns 70 per cent of state enterprises and is responsible for selling it off, is gearing up for mass pri-

vatization this year. If Mr Dumitru, who has shown he has the political muscle to coerce his erstwhile colleagues, pulls off his ambitious plans, Romania's Stock Exchange will have something to trade. That would be a boon for a country which many insiders believe has vast, untapped capital resources.

Lacking a better outlet, Romanians have poured their money into shady schemes such as the Caritas pyramid scam, which collapsed earlier this year, or have taken it abroad.

Mass privatisation and the creation of a stock exchange would give them an opportunity to make legitimate investments in their own country, like their Polish and Czech counterparts.

Romania's nascent bourgeoisie is confident that, willy nilly, market reforms will take root in their country.

Reforms will go ahead in the long run no matter what, explains Mr Pascariu. "We are in a narrow corridor and are being pushed forward, sometimes despite ourselves. There might be zig zags in our course, but our destination is clearly a market economy."

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PROFILE: President Ion Iliescu

Convert to capitalist ways

Romania has come a long way since it shed the Stalinist-style cult of personality which characterised the Ceausescu regime. But the forces of continuity remain strong and the post-Ceausescu constitution leaves many key powers in the hands of the president and commander-in-chief, including the choice of a prime minister.

Ultimately, the buck still stops with the president, which for the last four years has meant at the desk of Mr Ion Iliescu in Cotroceni, the former royal palace on the outskirts of Bucharest.

Mr Iliescu, who is also the eminec grise behind the left-wing ruling party, the recently re-named Party of Social Democracy of Romania (PSDR), is a man with his emotional roots in the communist past.

Like many of his generation, however, he appears to have undergone an intellectual conversion to the virtues of privatisation and capitalist development as a more efficient and less damaging instrument for achieving the social and political development which he once thought would be delivered through Marxism.

Mr Iliescu's father Alexandru was a leading member of the communist youth movement in Romania's small pre-war communist party, and the president himself was a senior figure under Nicolae Ceausescu before being sidelined in the early 1970s as the dictator rid himself of potential rivals.

After 18 years of semi-obscure, latterly as the head of a state-owned publishing house, Mr Iliescu re-emerged at the head of the self-appointed National Salvation Front in December 1989 after angry crowds forced Ceausescu to flee Bucharest in a doomed escape bid.

The re-emergence of a key figure from the distant communist past rather than someone clearly identified as an opponent of the previous regime, still rankles with many Romanians who hoped for a clearer break with the old regime. But such was the degree of social and political control under Ceausescu that few Romanians were untainted by some form of collaboration with "the power" and no-one else emerged to challenge the political skills and back-up enjoyed by Mr Iliescu.

Since the chaotic early days of the post-Ceausescu period, Mr Iliescu has consolidated his position and his legitimacy by winning two presidential elections. He resembles his Ukrainian counterpart, President Leonid Kravchuk, another professional politician trained in the hard school of communist realpolitik.

His background gives him a shrewd grasp of the realities of

power in a country of great regional variation, ethnic and cultural complexity, and, perhaps above all, a fragmented opposition and poorly developed civil society. But Mr Iliescu's greatest good fortune is his 18-year estrangement from power. This permits him to share the anger of millions of Romanians for the humiliation and waste of the Ceausescu years.

Looking back on his predecessor he recalls "an uneducated man who became more and more suspicious", especially after his Asian tour in 1971 when he became fascinated by Kim Il Sung (the North Korean dictator). Mr Iliescu, who accompanied Ceausescu on his procession around Asia says: "I opposed his plans to emulate the Korean model, arguing that it was simply not possible to treat human beings in this way, to suppress their humanity."



Ion Iliescu: emotional roots in the communist past

coming to the conclusion that such managed change was beyond the grasp of a weakened and demoralised Soviet Union.

Mr Iliescu declines to be drawn into a discussion of whether "the revolution" of December 1989 was part of a planned neo-communist restoration similar to that attempted, unsuccessfully, in east Germany. Asked whether the events of 1989 were a revolution or a palace coup he replies that "it was a process determined by objective factors", before launching into a list of reasons why perestroika failed in the Soviet Union.

It is likely that Romanians would have been spared much suffering and indignity had Mr Iliescu rather than the Ceausescu clan been in charge for a quarter century. Romania would probably have developed along the lines pioneered by Janos Kadar, the post-1956

In a long interview he underlined his support for economic policies which satisfy the lending institutions but which have led to several potentially threatening protest strikes in recent months. "There is a danger that people's patience will snap. Four years ago all applauded the return of liberty, but standards of living have fallen, unemployment has risen and many now question the value of democracy. But I think the worst is now over," he says.

"Last year we removed subsidies, introduced VAT and other taxes and inflation soared to nearly 300 per cent. But inflation was down to 5-7 per cent a month over the first two months and we are liberalising the foreign exchange market."

"Meanwhile the collapse of industrial production has been reversed, exports are rising and this year we shall benefit from higher foreign investment and new loans from the IMF, World Bank and other institutions," he adds.

The president, like several of his ministers, criticises the international institutions for dragging their heels. "When we needed their help most they were very reluctant and conservative. Now the situation is better and the co-operation is excellent, but we would have preferred help when we needed it most," he says.

But those close to the World Bank - opposition critics like Mr Petre Roman and Mr Adrian Severin and even economic advisers to the president himself - blame the government's slow-down of privatisation, its failure to close or downsize persistent heavy loss makers among the biggest state-owned industries, and a general ambivalence about market reform for "18 wasted months".

Now, even the fiercest critics acknowledge that Romania again has an opportunity to move ahead with economic reform and thus far desultory efforts to form a parliamentary pact between the ruling party and the opposition so as to underpin the reform process.

The attempt to form a government of "national unity" in Romania failed 18 months ago and the price has been a slow-down in the pace of reform which the country can ill afford.

It remains to be seen whether better use will be made of the new window of opportunity which has emerged with the evolution of an economic policy framework acceptable to the international institutions, and relatively encouraging for the private sector.

Mr Iliescu was interviewed by Anthony Robinson, Virginia Marsh and Christia Freeland.

Virginia Marsh reports on Romanian politics

Same team is still in charge

After winning the sympathy of millions around the globe who watched the 1989 Christmas revolution on their television sets, Romanians confounded their new-found western friends by electing former communists to power just five months later.

Four years on, the same team, grouped behind President Ion Iliescu, is still in charge, having won general elections in 1990 and 1992 despite its dubious political tactics, notably the use of coalminers to intimidate or assault opponents on several occasions in 1990 and 1991.

However, even President Iliescu's most fierce rivals recognise that, under his leadership, Romania has undergone great political and economic changes albeit at a pace slower than many would have wished.

"The team which hijacked the revolution from the young generation has been forced to accept several democratic changes such as a multi-party political system, a free press and the right to hold demonstrations," says Mr Corneliu Coposu, a 77-year-old former dissident who heads the National Peasants Party, minority of the Democratic Convention (DC), the main opposition group.

Since narrowly winning the September 1992 elections, President Iliescu's party, now called the Party of Social Democracy of Romania (PSDR), has sought to change its image as a group of unreformed, unrepentant communists by co-opting younger members and espousing market-led reforms.

The challenge is to combine the experience of the old with the imagination of the young," says Mr Adrian Nastase, 43, the former foreign minister who became executive president of the PSDR last year. To this end, the party has begun talks with the Democratic Convention and the Democrat Party, the other main opposition group which is led by Mr Petre Roman, Romania's first post-revolution prime minister, and which has become the standard-bearer of International Monetary Fund and World Bank-backed reforms.

The talks are aimed at broadening parliamentary support for the PSDR minority government which relies on three small former communist and extreme nationalist parties to reach a slim 53 per cent majority.

The hope is that a political pact will make parliament more effective after a year and a half in which interminable battles over often minor issues have held up important reform legislation such as the bankruptcy and securities laws.

Few, however, believe the talks will be successful in the near future, despite opinion polls indicating popular disenchantment with the PSDR government.

According to Ipsop, a local market



Coposu, 77, heads the National Peasants Party

research organisation, most Romanians perceive the government as lacking direction, moving too slowly on many key reforms and acting to protect its own interests rather than those of the country.

Ipsop polls indicate that two thirds of the population would like to see the opposition form a government or take part in a coalition with the PSDR.

Despite the government's breakthrough this spring with the IMF, the opposition says the ruling party still has no clear reform strategy and remains held together only by allegiance to President Ion Iliescu and by the desire to stay in power. PSDR members, they say, cover too wide a political spectrum to formulate coherent policies.

The opposition has conditioned any

The opposition is pushing for western European-style subsidiarity

political pact on the exclusion of the PSDR's extremist allies, the Socialist Labour Party (SLP), the former communist party, which is led by Mr Ilie Verdet, a Ceausescu-era prime minister, and the Greater Romania (Romania Mare) party, a xenophobic, anti-semitic organisation.

However, it is not clear the PSDR is prepared to ditch the two groups which in the past year have acted more like satellite parties than separate entities. Both have faithfully supported the PSDR in parliament and taken up second-level posts in the administration. Their temperate outbursts and slur campaigns against reformers in the government and opposition have drawn little public criticism from the PSDR.

The opposition says the real agenda of

the PSDR and its allies - drawn from the former communist nomenclature of state factory bosses, secret police and second-level bureaucrats - is to stall reform while they attempt to maintain their control of state institutions and state property.

"They are no longer fighting for Marxist-Leninist ideals but to protect their interests," Mr Coposu says, alluding to many recent corruption cases involving members of the PSDR or those close to it.

The PSDR has attempted to consolidate its power not just in central government but in state enterprises and at the lower levels of the administration where competent technocrats have been weeded out in favour of the loyal. The party has also been unwilling to devolve power to local government, preferring to rule the country's disparate and ethnically diverse regions from Bucharest.

It is only now introducing local tax laws to provide revenues for elected local governments which, in many areas, are controlled by the opposition.

The opposition, which includes the party of Romania's 1.7m ethnic Hungarian minority, is pushing for western European-style subsidiarity and a high degree of local autonomy.

However, the inclusion in the Democratic Convention of the Hungarian party has been one of the many sources of tension within the Convention. The DC, a loose coalition of anti-communist, intellectual and liberal parties, has failed to use its time in opposition to resolve differences over issues ranging from economic policy to the restoration of the monarchy and the Hungarian minority.

The DC's internal divisions have been exploited by the ruling alliance which includes the Romanian National Unity Party, an anti-Hungarian group which, like the Hungarian minority, is based in Transylvania, Romania's western province which was ruled by Budapest until 1920.

With its populist, nationalist slogans, the RNUP, like the SLP and Romania Mare, has won support by playing on the fears and ignorance of a population emerging from totalitarian rule and struggling to survive a severe economic recession.

Mr Coposu says: "After 45 years of Soviet and communist darkness, Romanians have lost their political intuition. The civic level needs to increase for people to be able to fashion political positions normally again."

The fear is that - as in Russia - extremists will gain more ground if an ailing economy causes living standards to fall further and prevents the formation of a solid middle class capable of supporting centre-right parties and western-style democracy.

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ROMANIA IV

Anthony Robinson and Virginia Marsh on an open line foreign policy

Middleweight with mission

When Serbia's President Slobodan Milosevic, an international pariah in the eyes of the United Nations, visited Bucharest in April he was given the full red carpet treatment by his Romanian hosts.

For President Ion Iliescu and Mr Teodor Melescanu, his foreign minister, the niceties of international protocol mattered less than the opportunity to continue a dialogue with their Balkan neighbour. The Serbian leader's visit allowed them to offer their good offices for the resolution of a conflict which has already cost Romania billions of dollars and which could still develop into a wider conflict.

"Starting from the idea that there is no military solution but a kind of balance of forces in former Yugoslavia, we see our role to encourage and assist the parties to find a solution and keep the lines of communication open," says Mr Melescanu, who earlier had been host to the Croat president Franjo Tudjman and is expecting a visit shortly from the Bosnian president Mr Alija Izetbegovic.

"We believe that there can be no solution without Serbia and that pushing isolation too far encourages extremist forces. Many Serbs believe that an international conspiracy is ranged against them," he added.

But Romania's foreign policy interests range well beyond the Balkans and the wider Black Sea region which Bucharest sees as a promising focus for future economic development as well as a forum for promoting greater stability and

co-operation in the region.

As in Britain, Romanian politicians believe that Romania should "punch above its weight" in international diplomacy. This belief was taken to extreme lengths during the Ceausescu years when the dictator persuaded western countries to turn a blind eye to his repressive domestic policies by defying Moscow and vying



Teodor Melescanu: 'No country in this area can survive on its own'

with Yugoslavia's Marshal Tito for influence among the "non-aligned countries" of the third world. An active and highly personalised foreign policy gave Mr Ceausescu an excuse to jet-set around the world, hobnob with the mighty, sleep in Buckingham Palace and develop political and economic ties with countries as diverse as China and Israel.

The foreign policy of the post-Ceausescu regime is more modest and more closely tied to national interests. Romania's close interest in the evolution of the Yugoslav imbroglio for example can be easily explained by the long common

border with Serbia which means, Mr Melescanu underlines, that "we are vitally interested in containing the conflict and preventing its extension".

It is not only a security issue. The UN embargo on trade with Serbia has severely damaged transit down the Danube and a once thriving trade between the two countries and blocked several Romanian-Yugoslav joint ventures. On the other hand, the break up of Yugoslavia has reinforced Romania's status as the biggest state in the Balkan region, capable of playing an important role in the wider Black Sea region.

To this extent, Romania looks both east and west, maintaining good relations with Greece and Turkey and anxious to rebuild its economic links with middle eastern markets. The present government is more at home with this two-dimensional policy than opposition leaders who tend to argue that Romania's future security and prosperity depends upon the greatest possible integration into western economic and security organisations, particularly the European Union and Nato.

Mr Corneliu Coposu, president of the National Peasants Party, the mainstay of the Democratic Convention, says "the government wants to maintain its non-orientated path, to rotate the wheel to east or west".

But Mr Melescanu points to a series of recent moves that underline Romania's desire for closer ties to the west. Last year, Romania signed an association agreement with the EU

and recently became the first post-communist state to sign up to Nato's proposed partnership for peace. "No country in this area can survive on its own and neutrality is no longer applicable," he adds. "The only choice for us is membership of Nato which we see as an efficient supporter of democratic values."

Romania is acutely aware that economic weakness prevents it pulling its full weight as a country with 23m inhabitants and good connections to the Middle East as well as both eastern and western Europe. But its image in the west has also been adversely affected in the past by outbreaks of intolerance against ethnic minorities, especially the nearly 2m ethnic Hungarians, concentrated mainly in Transylvania, and the large gypsy communities.

Romanians are neither less tolerant nor more violent than other people

trated mainly in Transylvania, and the large gypsy communities.

The exodus of hard working, ethnic Germans from the Transylvanian towns and villages, settled since the 13th century by descendants of Saxon immigrants, has already been a great cultural and economic loss. The airing of historical resentments against ethnic Hungarians by Romanian nationalists risks causing a similar haemorrhage of talent and skills unless sensitively handled by leaders of both communities.

Both can rely on a degree of moral and practical support from governments in Bonn and Budapest. But such support is not available to gypsies, whose plight has worsened substantially throughout former communist Europe with the new freedom to express ancient resentments and the bitter economic contest for housing, jobs and other scarce resources.

Romanians are probably no less tolerant, nor more violent, than other people. But life here is hard and still getting harder for millions of people. Until prosperity returns, an undercurrent of ethnic tension will continue to test the patience and tolerance of majority and minority alike and affect the image which Romania presents to the wider world.

Chrystia Freeland examines the effects of an agricultural revolution

Capitalist instincts sprout

Picture the 1992 Los Angeles riots taking place in the countryside and you will get a fairly accurate picture of how Romania's agricultural reforms were conducted after the 1989 revolution.

Irrigation systems were torn apart by peasants who needed pipes and spare parts, tractors were cannibalised and herds of livestock were split haphazardly among their shepherds. "After 1989, everyone grabbed everything he could," explains Valentina Vladoiu, who runs what is left of the state farm in the mountain village of Calvini. She is also president of an association of 28 private farmers who have teamed up to create a 32 hectare farm.

Three gutted barns 200m from Mrs Vladoiu's two-storey home show the scant resources the farmers have to work with. Timbers, window frames and even electrical fuses have been looted, leaving skeletal structures. Mrs Vladoiu says: "Those who were stronger and quicker took everything."

This rural privatisation was made formal in 1991, when the government passed a land decree meant to return property to its pre-war owners. More than 80 per cent of arable land in Romania is in private hands, although the new owners do not yet have the right to buy and sell their holdings.

Survival of the fittest proved to be the guiding principle in the redistribution of agricultural land. Driving over a muddy dirt track through her village Mrs Vladoiu points to the most fertile, black, loamy fields in the valley and reads off the names of their owners. One belongs to the mayor; the next to his brother; further along are the new, private holdings of his best friends.

The picturesque but barely fertile fields that climb up the slopes of the mountains surrounding Calvini were reserved for less well-connected villagers. "Of course this is causing tension in the village," says Mrs Vladoiu. "Those who had the best land before the war now have the worst and vice versa."

Giving land back to the peasants, who account for 45 per cent of Romania's population, wiped out one of the few achievements of socialism in



Valentina Vladoiu: 'After 1989, everyone grabbed everything he could'

the agricultural sector. The large collective farms were cut into the inefficient, handkerchief-sized plots that were the Eastern European norm before the second world war.

These radical and chaotic rural reforms led to a disastrous fall in agricultural production in 1990-92 of between 20 and 30 per cent on the fields of the late seventies and early eighties. But agricultural production is recovering. The harvest in 1993 was 12.4 per cent higher than 1992.

Western experts say that, in the agricultural sector, Romania's radical approach has

Entrepreneurs are assembling large, viable farms

brought irreversible reforms.

"The beauty of the big bang approach is that it brings a creative destruction," says Mr Mike Hicks, deputy head of the European Bank for Reconstruction and Development in Bucharest. "In Romania they broke their legs in the fall, but now agriculture is starting to crawl its way up and eventually the bones will heal."

Shops full of meat and cheese - a miracle in a country that, in the 1980s, had one of the lowest average calorie consumptions in Europe - is one sign of healing. Another is that ever more prosperous entrepreneurs are assembling large, viable farms by leasing land from dozens of individual owners.

Two hurdles must be cleared before Romania can reclaim its traditional position as one of the chief agricultural producers in central Europe. First, farmers have not been given formal, legal title to their land, and sale of the newly privatised rural properties is banned for ten years. Without clear titles, farmers are finding it difficult to obtain credits to buy machinery, seed, fertilisers and herbicides. The ban on the sale of land is slowing the creation of larger, more efficient farms.

The second issue, often overlooked by the architects of agricultural reform in post-communist economies, is how agricultural materials and products are distributed.

In a highly centralised Romania, a single organisation, Romcereat, supplied all agricultural materials: seed, fertilisers, pesticides, herbicides and fuel. It collected, stored and distributed all the agricultural products in the autumn. A sister organisation controlled most heavy agricultural machinery.

Romcereat maintains its monopoly on distribution, despite land privatisation. Many private farmers - often unable to get credits and with limited access to agricultural materials and machinery - have little alternative but to indenture themselves to Romcereat.

In return for a guaranteed supply of materials, they agree to sell part of their grain to

Romcereat at reduced prices. Gradually, Romcereat's monopoly is being eroded. It faces stiff competition from western commodities companies offering similar package deals, but with higher quality products and better prices. Some rural entrepreneurs are becoming rich enough to buy their own granaries and sell their crops at market prices.

Better still, Romcereat is beginning to collapse from within, as capitalist instincts start to sprout in the hearts of the old agricultural bosses. Mr Alexandru Chioresanu, the head of Romcereat's branch in the Transylvanian town of Arad, is eager to break away from the domination of his head-office in Bucharest and, eventually, to break up and privatise Romcereat.

"We are not very interested in what Bucharest has to say anymore," Mr Chioresanu says. "Instead, it is they who must listen to us. There is no doubt that Romcereat should be broken up. The state should retain two or three silos and the rest should be completely privatised." When that happens, Mr Chioresanu will probably have the option of becoming the head of a local commodities trading company, Arad's version of Cargill.

But he has a different capitalist dream. He is trying to piece together a 100 hectare farm which he will run as soon as Romcereat is pushed into the private sector.

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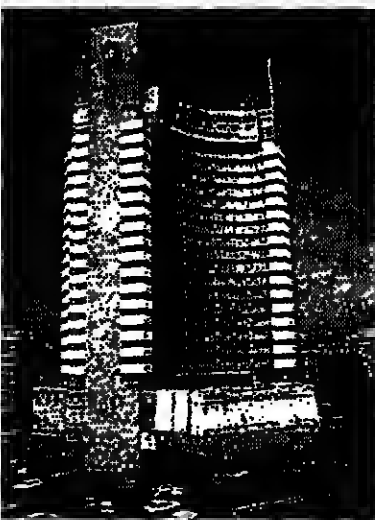
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since 1990, according to the Romanian Development Agency (RDA), the country's inward investment body.

The adoption of a liberal foreign investment law in April 1991 led to a spate of landmark deals that year and in 1992. These included investments in industry by companies such as Asea Brown Boveri, the Swiss-Swedish engineering group, Colgate-Palmolive, the con-

Investor confidence was shaken by the victory of former communists in the 1992 general election

sumer products manufacturer, and Siemens, the German telecommunications and engineering group. Bouygues, the French construction company, began work on a \$120m World Trade centre due to open this week while oil companies Shell, Amoco, Canadian Occidental and Enterprise Oil were awarded on-shore and Black Sea exploration contracts.

Investor confidence was, however, shaken by the victory of former communists in the September 1992 general election and the new government's failure, in 1993, to achieve macro-economic stability or to implement the privatisation scheme it inherited.

The hope is that agreements this spring with the International Monetary Fund (IMF) and World Bank will create a better investment climate after last autumn's near descent into hyperinflation.

Maintaining internal convertibility of the Leu, recently achieved for the first time since the summer of 1992, is one of the government's goals this year and remains a critical issue for foreign investors. Although foreign companies are allowed to repatriate 100 per cent of profits, acute shortages of hard currency last year made this almost impossible. It also restricted companies' ability to import raw materials and other goods needed for local production.

The privatisation scheme was slow to get off the ground, making joint ventures with state firms the main vehicle for foreign investment in Romania. Even these were held up last year when the RDA had to clear deals through the new-

ly-established State Ownership Fund, the main engine of privatisation, which was plagued with start-up problems and saw four general managers in its first 15 months.

However, under Mr Constantin Dumitru, general manager, the SOF has begun to tackle its mandate more seriously. It has asked the development agency to find foreign partners for some 100 priority companies after making just two sales to foreign companies before Mr Dumitru's arrival in February.

The SOF is also co-operating in a series of public offers this summer, to be followed by the much-delayed opening of a stock market later in the year. The hope is that the Bucharest exchange will suck in significant foreign investment.

External financing for projects has also eased. Most Western European countries have extended investment and credit guarantees which remained limited owing to the political and social instability of 1990 and 1991.

International financial institutions such as the World Bank and European Bank for Reconstruction and Development have also started to open credit lines at Romanian banks for local projects.

The largest of these is \$170m for agriculture and agro-business which, with other consumer goods industries, are among the top areas of foreign interest.

Romanians, who were starved of food and western goods in the 1980s, have a huge appetite for consumer products. The country, with a population of 23m, is eastern Europe's second largest market after Poland.

Infrastructure projects, often financed from abroad, are also attracting foreign investors. Siemens, for example, formed a local joint venture to manufacture digital switchboards for the Romanian telecommunications company which has embarked on a multi-billion dollar, 10-year modernisation programme.

Similarly, Italian firms are teaming up with local partners to upgrade border crossings and 1,000km of roads as part of a \$400m project co-financed by the World Bank, EBRD and European Investment Bank.

Virginia Marsh

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1st/2nd Expt Apr 20	777.3	787.0	0.96	49100
Barclays Investment Managers Ltd				
100 Broadwater, London EC2M 3JY				
197-214 1934 (phone)				
Barclays Bank				
1/2 Expt Apr 20	78.44	81.21	3.1	44570
1/2 Expt Apr 20	80.77	81.50	0.1	44570
CAP - Country Managers Ltd				
45 Finsbury, London EC2M 3JY				
1/2 Expt Apr 20	72.57	72.17	3.88	770114
1/2 Expt Apr 20	81.34	82.34	0.50	47780
CMA Bank Trust Managers Ltd				
Co-op Bank, Strand 1, Apr 12				
1/2 Expt Apr 20			3.13	21064

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FT GUIDE TO THE WEEK

TUESDAY

Dutch general election



A closely-contested general election in the Netherlands sees the retirement from national politics of veteran prime minister Ruud Lubbers (left). Support for Mr Lubbers' Christian Democrats is forecast to fall by about half, and the party may be forced into opposition.

The Labour Party, junior partners in the current coalition, also faces a severe electoral decline. Increased support for smaller parties will probably result in a three-party coalition.

Bond hearings: The long-postponed public examination of Alan Bond, the failed Australian businessman, by his bankruptcy trustee begins. Two weeks ago, lawyers for the former tycoon withdrew a request for an adjournment until Mr Bond's mental state improved. They had previously argued he was severely depressed and his IQ had plummeted from 150 to 90 because of brain damage suffered during cardiac surgery.

Contaminated lands: Responses to the UK government's consultation paper on contaminated land, Paying for our Past, are due in today. The paper, which follows the government's scrapping of proposals for a register of contaminated land, calls for comments on the size of the problem and to determine who should foot the bill of cleaning land.

Salerooms: Two weeks of big money spending in the art market start tonight in New York with a Christie's auction of contemporary art. "Number 22", a painting by Jackson Pollock, created in 1949 by the dripping and pouring technique rather than the paint brush, is estimated at up to \$3m, while Mark Rothko's atmospheric blue "Four Reds" should make \$1.5m.

FT Survey: Romania. Japan is on its annual 10-day spring break, which ends on May 7. This year, an estimated 66.7m people are heading off on holiday, a record 450,000 of them abroad, attracted by which has made Hawaii cheaper, for Japanese holidaymakers, than Hokkaido.

Holidays: Japan (Constitution Day), Sri Lanka, Thailand.

WEDNESDAY

Mid-East signing ceremony

Israel and the Palestine Liberation Organisation are due to sign an agreement granting limited Palestinian autonomy in the Gaza Strip and Jericho. A ceremony is to be held in Cairo in the presence of President Hosni Mubarak of Egypt, Warren Christopher, US secretary of State, Yitzhak Rabin, Israel's prime minister, and Yasser Arafat, chairman of the PLO.

The European Parliament, holding its last plenary session before the European elections, votes on the accession treaties of Norway, Sweden, Finland and Austria. It must approve the treaties by today to make entry on January 1 1995 possible. With many MEPs campaigning or not standing for re-election, worries are that not enough will show up to produce the 260 votes needed to gain an absolute majority out of the 518 seats.

Australian White Paper: Paul Keating, Australia's prime minister (left), unveils the federal government's white paper on industry and employment. It will detail measures to address Australia's vexatious unemployment, along with regional development policy and help for Australian companies selling into Asian markets. The white paper's release comes a week before the federal budget statement, and Mr Keating's announcement is likely to pre-empt big expenditure items.

South Korea's defence minister, Rhee Byoung-tae, arrives in Germany following a six-day visit to Russia, where he discussed the possible purchase of advanced weapons as payment for an outstanding \$1.5m loan that Seoul gave the former Soviet Union in 1991. He will be discussing possible arms purchases in Germany as well.

Nigeria's long-heralded and off-postponed "war against indiscipline and corruption" is scheduled to begin.

Salerooms: The highlight of Sotheby's auction of contemporary art in New York tonight is "Highway" by Jasper Johns. Inspired by the artist's experience of driving on a New York highway at night, this blur of reds, blues and yellows is estimated at a hefty \$3m, showing a return of confidence to this section of the art market.

Football: In the European Cup Winners' Cup Final, England's Arsenal play Italy's Parma in Copenhagen.

FT Surveys: Restructuring Eastern Germany and Greater Philadelphia.

Holidays: Japan, Russia (Orthodox Easter).

THURSDAY

Local elections in Britain



England, Wales and Scotland vote in local elections that will determine whether the Conservative party remains a force in local government and - no less importantly - whether John Major is likely to face a leadership challenge from disaffected Tory MPs later this year. Elections are being held for metropolitan and shire councils, but attention will focus on the results in outer London, where the Tories have traditionally been dominant.

Palestinian police force: The ending of more than a quarter-century of Israeli occupation begins, as Palestinians in the Gaza Strip and West Bank town of Jericho see the deployment of their own police force. An advance guard of 1,000 Palestinian police will cross into Gaza and Jericho to begin to take over security from the departing Israeli army. Israel is expected to complete its military withdrawal and the transfer of civilian administration to the PLO within a maximum of three weeks.

Takatosu Hata, Japan's prime minister, on a trip to Western Europe originally organised for his predecessor, visits Germany. He meets Chancellor Kohl, Klaus Kinkel, the foreign minister, and Johannes Rau, prime minister of North Rhine-Westphalia, where the city of Düsseldorf is home to the largest concentration of Japanese in Germany.

Belrut renewal: Shareholders of Solidere, the \$1.8m company that plans to rebuild central Beirut, hold their second meeting to incorporate the company.

The Badminton Horse Trials, England's premier equestrian event begin at Badminton House, Avon (to May 8).

Savoury tooth: The British Association for Toothfriendly Sweets launches its campaign in London.



FT Surveys: International Corporate Finance and FT Reporter.

Holidays: Japan, South Korea (Children's Day), Mexico, Thailand (Coronation Day).

FRIDAY

Channel Tunnel 'opening'

Today sees the official inauguration of the Channel Tunnel. However, more than a year behind schedule and more than twice the original budget, it will not actually open to passengers until at least the autumn.

In the morning, the Queen opens the Waterloo International rail terminal in London (below), while in Paris President François Mitterrand opens a terminal at Gare du Nord.



Both will then take Eurostar trains to Calais for an opening ceremony. The Queen and President Mitterrand will then drive, in her Rolls Royce, on to a vehicle shuttle and head through the 51km tunnel to Folkestone for more ceremony on the British side.

South Africa's president is due to be elected by the National Assembly. The president, almost certain to be Nelson Mandela, will be sworn in on May 10 in Pretoria.

Ethnic Armenian separatists in the disputed Nagorno-Karabakh enclave in Azerbaijan have accepted Russian proposals for a cease-fire starting today.

Hong Kong's Lu Ping, Beijing's top official on Hong Kong affairs, is expected to lift the veil on China's policy towards the colony, when he addresses a lunch sponsored by the combined chambers of commerce in Hong Kong.

Making his first visit since Chris Patten became governor, Mr Lu is expected to indicate how Beijing will deal with Britain on "non-political" matters arising from the transfer of sovereignty in 1997. Bilateral co-operation on political development collapsed last year. Since then, there have been signs that Beijing is prepared to discuss economic matters.

East Timor: Indonesia and Portuguese foreign ministers meet for United Nations-sponsored talks on the former Portuguese colony, annexed by Indonesia in 1975, a move not recognised by the UN. The UN secretary-general Boutros Boutros-Ghali is expected to attend.

Theo Waigel, Germany's finance minister holds a meeting with his Austrian and Swiss counterparts in Munich. Among the items on the agenda will doubtless be how to plan co-operation with Austria in and Switzerland outside the European Union.

FT Surveys: Madeira and The Channel Tunnel.



The UK local elections on Thursday will be a test for Prime Minister John Major's leadership

SATURDAY

Hata returns to Japan

Takatosu Hata, Japan's prime minister, returns to problems at home after a trip to Europe. The aim was to strengthen relations before the Naples summit of the Group of Seven leading industrial nations in July.

Last week, the Socialists, the biggest party in the ruling alliance, dropped out of the coalition, depriving it of a parliamentary majority. Hata's minority government is likely to be short-lived.

Vietnam celebrates the 40th anniversary of the battle of Dien Bien Phu, which ended nearly a century of French colonial rule.

Time warp: British and French vintage cars, taking part in a rally from London to Paris to mark the Channel tunnel inauguration, will travel through it by shuttle.

Under four: A special handicap mile at the Iffley Road track in Oxford is part of the celebrations of Roger Bannister's breaking of the four-minute barrier there in 1954.

The Kentucky Derby is run at the Churchill Downs course, Louisville.

SUNDAY

Panamanian elections

Five years after the US invasion, the presidential candidate for the party of General Manuel Noriega is going into the election as favourite. Ernesto Pérez Balladras of the Democratic Revolutionary Party (PRD) leads the polls.

His nearest challenger is the lawyer-actor-salsa singer, Rubén Blades, who heads a new green-leaning political movement Papa Egoré (Mother Earth in a local Indian language).

Costa Rican presidency: José María Figueres, the son of "Pepe" Figueres, the popular former president who dominated Costa Rican politics for two decades, assumes the presidency. Mr Figueres has pledged to place a greater emphasis on social issues than the outgoing government.

Hungary holds the first round of parliamentary elections. The second round is due to be held on May 29.

Sumo-time: The 15-day Grand Summer Sumo Tournament starts in Tokyo.

Compiled by Patrick Stiles.
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ECONOMIC DIARY

Other economic news

Tuesday: Figures for M0, the narrowest measure of the UK money supply, are expected to show growth of 5.9 per cent in the 12 months to April. This is still well above the government's 0.4 per cent monitoring range and would provide further evidence that consumer demand remains buoyant despite the tax rises.

The Treasury's panel of independent forecasters, the so-called "wise men", meet to discuss the prospects for the UK economy. Their findings will be published on May 17. German industrial production data for March are expected some time this week. Analysts forecast a monthly rise of 0.5 per cent, compared with February's 1.3 per cent.

Wednesday: The UK's official reserves are expected to show no change in April, after falling by \$45m in March. The Treasury will release its monthly monetary report, to coincide with the meeting between the chancellor and the governor of the Bank of England.

Thursday: German unemployment statistics for April are expected to show a seasonally adjusted rise of 23,000 in the west and an unadjusted fall of 20,000 in the east.

Statistics to be released this week

Day	Released	Country	Economic Statistic	Median Forecast	Previous Actual
Tues	US		Mar leading indicators	0.6%	-0.1%
May 3	US		Johnson Redbook, w/e April 30		-0.2%
	UK		Apr M0 money supply		0.3%
	UK		Apr M0 money supply*		5.6%
Wed	US		Tan book		
May 4	US		Mar factory orders	0.5%	-1.0%
	US		Mar factory inventories		0.3%
	US		Apr domestic auto sales	7.5m	7.8m
	US		Apr domestic light truck sales	5.8m	5.9m
	UK		Apr official reserves	Unch	-\$45m
	Canada		Mar building permits	3.0%	1.6%
Thurs	US		Initial claims, w/e April 30	336,000	333,000
May 5	US		G1 productivity		6.1%
	US		Mar home completions		1.34m
	US		M1 w/e Apr 25		
	US		M2 w/e Apr 25		
	US		M3 w/e Apr 25		
	Germany		Apr unemployment rate, west, s.a.	+23,000	+20,000
	Germany		Mar employment rate, west, s.a.	-20,000	-25,000
	Germany		Apr vacancies, west	+5,000	+2,000
	Germany		Apr short-time, west, n.s.a.	-40,000	-52,000
	Germany		Apr unemployment, east, n.s.a.	-20,000	-40,000
	France		OAT auction	FF195m	
	Canada		Apr help wanted index	94	92

*month on month, **year on year

Day	Released	Country	Economic Statistic	Median Forecast	Previous Actual
Friday	US		Apr non-farm payrolls	+175,000	+455,000
May 6	US		Apr manufacturing payrolls	+15,000	+12,000
	US		Apr hourly earnings	0.2%	0.1%
	US		Apr average workweek		34.7
	US		Apr civilian unemployment rate	6.5%	6.5%
	US		Mar wholesale trade		0.8%
	US		Mar consumer credit	\$4.5bn	
	France		Q4 industrial production	0.5%	0.4%
	Canada		Apr employment rate	0.2%	0.4%
	Canada		Apr unemployment rate	10.8%	10.8%
During this week...					
	Japan		Mar current account	\$19.7bn	\$11.5bn
	Japan		Mar trade balance		\$12.9bn
	Japan		Apr trade balance - first 20 days		\$7.2bn
	Japan		Mar foreign bond investment		
	Germany		Mar industrial production*	0.5%	1.2%
	Germany		Mar manufacturing output*	0.4%	2.4%
	Germany		Mar import prices*	0.0%	0.1%
	Germany		Mar import prices**	-0.3%	-0.4%
	Germany		Mar manufacturing orders*	0.4%	3.1%
	Italy		Apr CPI*	4.1%	4.2%
	Spain		Apr official reserves	\$48m	\$44.5bn
	Belgium		Apr unemployment rate	13.5%	13.5%
	Switz		Apr unemployment rate	5.0%	5.0%

Statistics courtesy MMS International.

PRIZE CROSSWORD
No.8,443 Set by GRIFFIN

A prize of a Pelikan New Classic 30 fountain pen for the first correct solution opened and five runner-up prizes of £25 Pelikan vouchers will be awarded. Solutions by Thursday May 12, marked Prize Crossword 8,443 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 8UL. Solution on Monday May 16.

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Solution 8,431

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STATEMENT PUDD
TGMKAROC
HUSH DISSEBEE
ATRIHOS
TRAINING REBEE
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